ADVANCING STRATEGIES IN CANCER TREATMENT

ANNUAL REPORT 2020

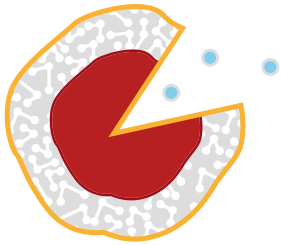
MagForce AG
Fighting Cancer with Nanomedicine

magforce®
THE NANOMEDICINE COMPANY

THE NANOTHERM THERAPY SYSTEM

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

Contents

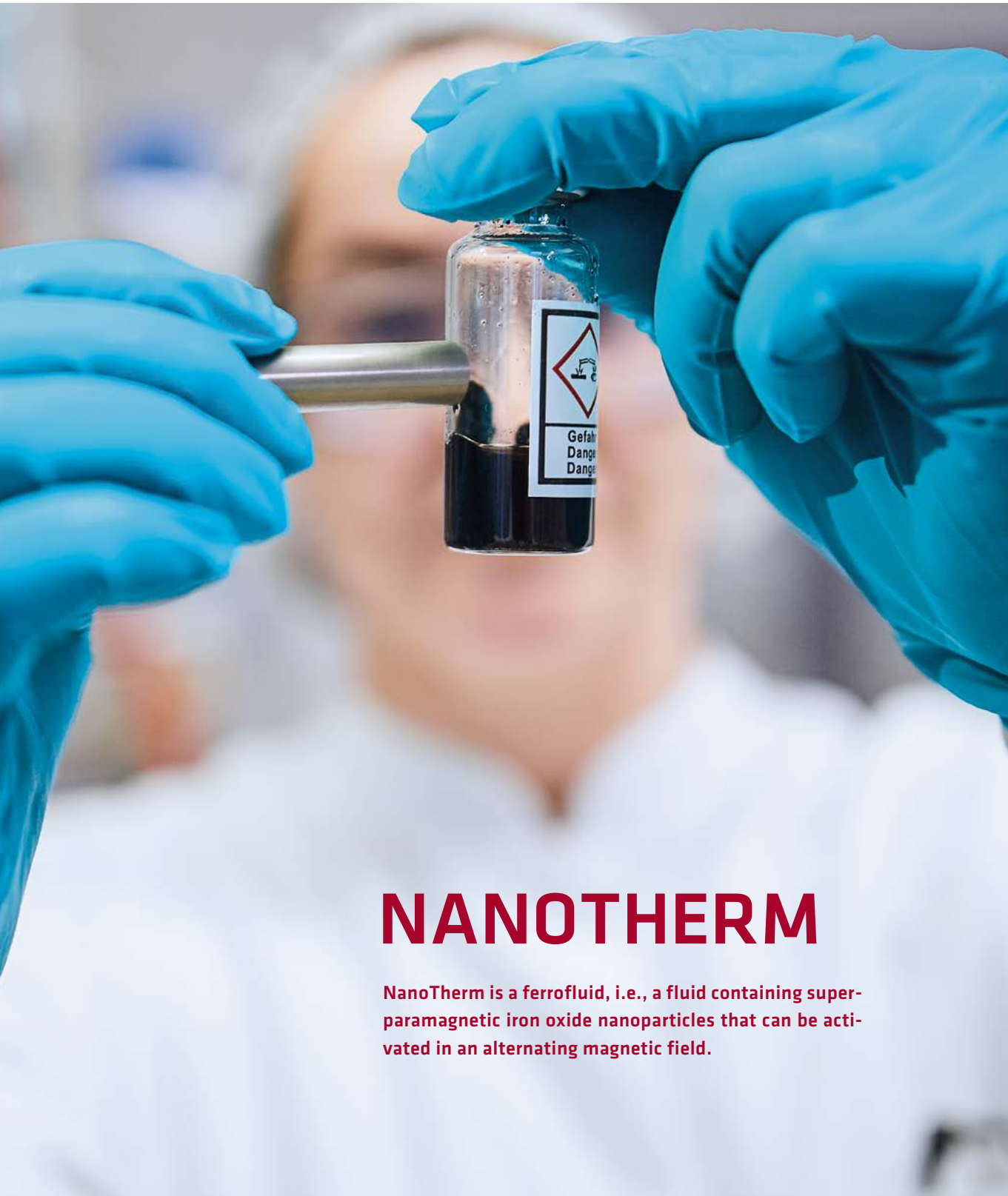


The NanoTherm Ferrofluid

The patented aminosilane coating enables these tiny magnetic particles to be finely suspended in water to create what is known as a colloidal dispersion, which can be injected directly into tumor tissue. Due to this special coating, the particles aggregate in the tumor directly after injection and stay at the injection site.

Fluid & Nanoparticles

NanoTherm ferrofluid can be injected directly into the tumor.

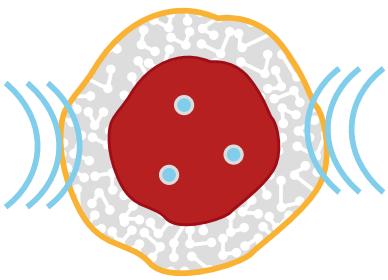


NANOTHERM

NanoTherm is a ferrofluid, i.e., a fluid containing superparamagnetic iron oxide nanoparticles that can be activated in an alternating magnetic field.

The Therapy Simulation Software

The therapy plan depends on the distribution of NanoTherm depots in the tumor tissue and the magnetic field strength required to reach the therapeutic temperature. The calculations within NanoPlan simulation take into consideration the tumor size, the distribution of the nanoparticles, and the location of the tumor.



Activation & Ablation

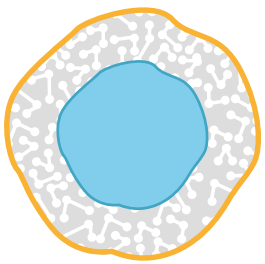
The magnetic field makes the iron oxide nanoparticles oscillate and produce heat, whereby the tumor cells are destroyed or sensitized.

NANOPLAN

The NanoPlan simulation software helps the treating physician to define the NanoTherm therapy schedule according to the distribution of the NanoTherm depots in the tumor in combination with the magnetic field strength to be applied to reach the therapeutic temperature needed.

The Alternating Magnetic Field Applicator

This magnetic field induces the oscillation of the iron oxide nanoparticles (NanoTherm) and thereby generates heat, reaching therapeutic treatment temperatures within the tumor. According to the temperature reached, the heat either destroys the tumor cell directly (thermoablation) or sensitizes them to any concomitant therapy, e.g. radio- or chemotherapy.



Magnetic Field & Treatment

With this treatment, the cancer cells are destroyed.

NANO-ACTIVATOR

NanoTherm therapy is performed in an alternating magnetic field applicator (NanoActivator). The strength of the magnetic field can be adjusted from 2 kA / m to 15 kA / m.

HIGHLIGHTS 2020 / 2021

March 2020

MagForce and Hufeland Klinikum GmbH Announce Cooperation Agreement and Opening of a New NanoTherm Treatment Center in Thuringia, Germany

The new NanoTherm treatment center is managed by PD Dr. Johannes Wölfer, head physician of the Department of Neurosurgery and Spinal Surgery at the Mühlhausen site, who has many years of experience in using the NanoTherm Therapy System.

The added range of therapies is to strengthen specialization in neurology / neurosurgery at the Hufeland Klinikum and create a medical light-house project in the region.

April 2020

MagForce USA has received FDA approval to proceed with its streamlined trial protocol for the next stage of the pivotal U.S. single-arm study for the focal ablation of intermediate risk prostate cancer with the NanoTherm Therapy System

The FDA approved a streamlined trial protocol, for the next stage of the Company's pivotal U.S. study with the NanoTherm therapy system for the focal ablation of intermediate risk prostate cancer.

The next stage of the clinical trial was initiated with three well-respected urological centers in Texas, Washington and Florida who actively enrolled patients in Stage 1.

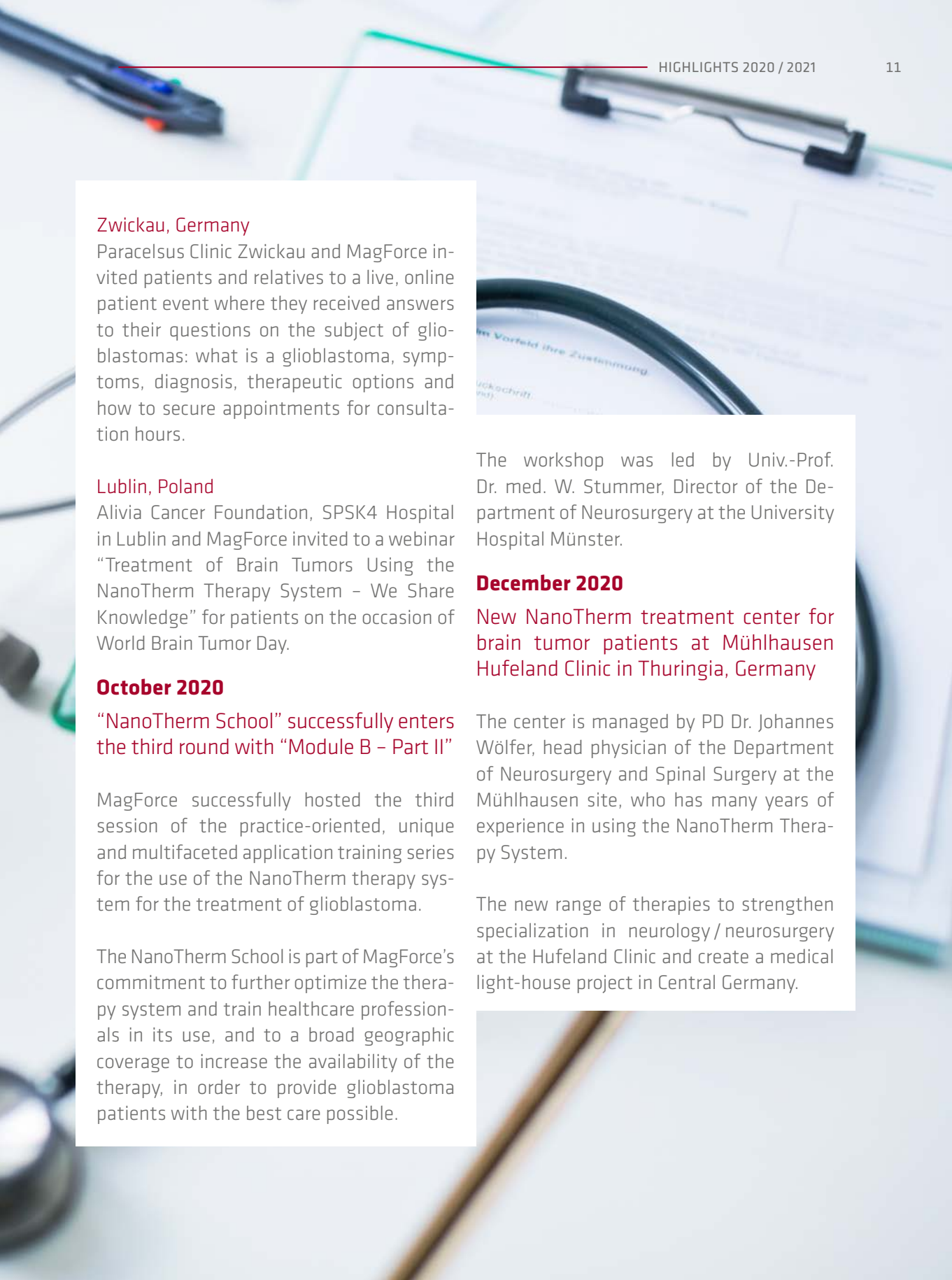
The streamlined procedure allows patient treatment to be completed within one day at one of MagForce's three out-patient treatment facilities.

This is possible because of the positive observations and findings shown in Stage 1 – demonstrating a favorable safety and tolerability profile as well as well-defined ablation and cell death in the region of the nanoparticle deposit.

MagForce and affiliated European clinics support World Brain Tumor Day and sponsor various patient events to raise awareness for one of the most serious oncological indications

Münster, Germany

This year, UKM hosted a patient hotline. During the open hotline, patients had the opportunity to establish direct contact with the University Hospital Münster and put forth any questions they may have regarding brain tumors and multiple treatment options. On the occasion of World Brain Tumor Day.



Zwickau, Germany

Paracelsus Clinic Zwickau and MagForce invited patients and relatives to a live, online patient event where they received answers to their questions on the subject of glioblastomas: what is a glioblastoma, symptoms, diagnosis, therapeutic options and how to secure appointments for consultation hours.

Lublin, Poland

Alivia Cancer Foundation, SPSK4 Hospital in Lublin and MagForce invited to a webinar "Treatment of Brain Tumors Using the NanoTherm Therapy System – We Share Knowledge" for patients on the occasion of World Brain Tumor Day.

October 2020

"NanoTherm School" successfully enters the third round with "Module B – Part II"

MagForce successfully hosted the third session of the practice-oriented, unique and multifaceted application training series for the use of the NanoTherm therapy system for the treatment of glioblastoma.

The NanoTherm School is part of MagForce's commitment to further optimize the therapy system and train healthcare professionals in its use, and to a broad geographic coverage to increase the availability of the therapy, in order to provide glioblastoma patients with the best care possible.

The workshop was led by Univ.-Prof. Dr. med. W. Stummer, Director of the Department of Neurosurgery at the University Hospital Münster.

December 2020

New NanoTherm treatment center for brain tumor patients at Mühlhausen Hufeland Clinic in Thuringia, Germany

The center is managed by PD Dr. Johannes Wölfer, head physician of the Department of Neurosurgery and Spinal Surgery at the Mühlhausen site, who has many years of experience in using the NanoTherm Therapy System.

The new range of therapies to strengthen specialization in neurology / neurosurgery at the Hufeland Clinic and create a medical light-house project in Central Germany.

February 2021

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

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

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

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

April 2021

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

The results of focal treatment effectivity remain extremely reassuring:

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

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

June 2021

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

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

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

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

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

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

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

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

Letter to the Shareholders

Dear MagForce Shareholders,

In 2020, the world faced challenges no one anticipated. Challenges on every level – global as well as national, social and very personal ones. MagForce, fortunately, has coped and continues to cope well with the constantly evolving situation around COVID-19. Nevertheless, events of such magnitude force us, as a company, not only to re-evaluate our purpose and reflect on the effect this pandemic has on individuals and the business but also on which impact we want to have on the lives of patients all around the world. Cancer is one of the most difficult global healthcare problems. Providing a transformative solution to this devastating disease lies at the very heart of our Company – it is and remains the underlying force that drives us. Cancer does not halt in the face of the pandemic. Neither do we. I am optimistic that the combination of our organizational strength, the potential of our innovative therapy system and our dedicated team will help us realize this mission.

In this letter, I will update you on the progress we have made during the fiscal year 2020 in Europe and the United States with our two dedicated indications, glioblastoma and prostate cancer, and discuss the developments and milestones at MagForce in detail.

MagForce AG – Europe – Brain Cancer Treatment

Within the first two months of 2020, we were able to exceed the total number of treatments of the entire year 2019. This was a great success, however unfortunately this trend did not continue due to the first and second wave of the pandemic, which put a considerable strain on the healthcare system and also affected the clinics offering our NanoTherm Therapy System. As a result, and as for numerous other indications, we saw lower treatment numbers throughout the last ten months of 2020. Given the much improved situation, we are all looking into the future optimistically and are confident that we will be able to follow on from the success of the first quarter of 2020.

In summary, we have made good progress in our European roll-out strategy throughout 2020. Currently, four centers are offering NanoTherm therapy of which 2020 two treatment centers in Germany have started to commercially treat brain tumor patients at their respective sites. This is, for one, the Paracelsus Clinic in Zwickau with which we entered into a cooperation agreement in June of 2019, and which started to actively treat patients at the beginning of 2020. And secondly it is the Hufeland Clinic Mühlhausen in Thuringia, where a NanoActivator device was installed and audited during H2 / 2020 and which started patient treatments in December last year. Both treatment centers are led by experienced key opinion leaders in their field and are located in strategically important geographic regions. The Zwickau clinic for example not only receives inquiries from patients in Germany but also from the Czech Republic, Hungary, Ukraine, and Russia. With the expansion of our treatment centers, our innovative therapy option is now available to larger patient populations across Germany and Eastern Europe, closing an important treatment gap for Europe.

While we experienced delays in the installations of further NanoActivator devices in partner hospitals in Spain and Italy, due to the severe impact of the COVID-19 pandemic in these countries, we are happy to report that: 1) we are active with our Spanish partner and expect to install our first NanoActivator in Spain in Q4 / 2021 and 2) we are in advanced negotiations with potential partners in Austria and Germany, as well as Italy.

By 2022, we plan to have eight brain cancer treatment centers offering NanoTherm treatment for glioblastoma in Europe.

Plug-and-Treat Commercial Model for Additional Brain Cancer Treatment Centers in Europe

Part of the recent success in our European roll-out is attributed to our "plug-and-treat" solution – which, for example, has been installed at the new center in Zwickau and also in Lublin. This mobile solution has shortened the time to start patient treatments in new centers significantly and has now become our delivery standard in Germany as well as in other European countries. The pre-installed containers only require a dedicated outdoor space, a standard three phase current connection and can be delivered to the clinic via truck. MagForce provides complete regulatory and

technical documentation to the clinic administration in advance so that official approvals can be issued quickly. Therefore, the mobile "plug-and-treat" solution makes the NanoTherm Therapy system more accessible to clinics. Currently, we do not expect more than three months from the date of order placement to the commissioning of a new NanoTherm treatment center in Germany or other European countries.

Providing Support and Raising Awareness

We also continue our dedicated efforts of providing physicians and affiliated partner clinics with the broadest possible support. Our "NanoTherm Therapy School", a practice-oriented, unique and versatile application training course for the use of the NanoTherm Therapy system, continues to be a success. The training program was developed in close cooperation with leading experts and is targeted towards physicians and medical professionals in the fields of neuro-surgery and neuro-oncology. The goal of the comprehensive application training is to certify surgeons in the use of our innovative NanoTherm technology for the treatment of glioblastoma. In October 2020, the second part of Module B, and more recently, in May 2021, the third module was concluded. As seen in the registration numbers and also in participant feedback, interest in MagForce's innovative therapy remains strong.

At the same time, we remained committed to raising awareness for brain tumors and the challenges patients have to face. This was reflected in the numerous activities advocating the needs of brain tumor patients and their caregivers on occasion of the World Brain Tumor Day. Although in-person events are still not possible, our partners have demonstrated their support and spread sparks of hope for patients suffering from this debilitating disease as well as for their caregivers and loved ones – we are proud to be a part of this community and we will continue to contribute to the expansion of effective and innovative treatment options.

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

It is estimated that there were 209,500 new cases of prostate cancer in 2020 in the USA alone and despite advances in diagnosis and treatment options, an estimated 31,000 deaths occurred according to the American Society of Clinical Oncology. MagForce's focal ablation approach targets patients who have progressed to intermediate prostate cancer stages and are under active surveillance. By destroying smaller cancer lesions, it is anticipated that patients will be able to remain in Active Surveillance programs and avoid, for as long as possible, definitive therapies such as surgery or whole gland radiation with their well-known side effects.

Over the past year, we have seen the tremendous advantages of the structure we implemented in the U.S. where our centers for the focal treatment of prostate cancer that are set-up as stand-alone units, independently from hospitals. Thereby we were able to mitigate the effects of the pandemic, so that COVID-19 had comparatively little impact on our ability to recruit prostate cancer patients and to conduct our pivotal U.S. study with our NanoTherm Therapy System.

Those independent treatments centers ensured the significant progress of our study: In April of 2020, we received FDA approval to proceed with our streamlined trial protocol for the next stage and consequently Stage 2a of the clinical trial was initiated.

I am pleased to report, that treatment results in Stage 2a of the study communicated in early 2021, mirrored the results of the first stage. The very impressive and favorable safety and tolerability profile demonstrated in Stage 1 was also confirmed. The findings showed that the expected minimal treatment-related side effects could indeed be maintained. Compared to Stage 1, MagForce was able to improve the accuracy of instillation in Stage 2a to more than 90 percent, resulting in a greater NanoTherm particle mass in the targeted area. This streamlined procedure will allow patient treatment to be completed within a single day, thus minimizing the burden of repeated visits to the treatment facility. This has proven to be important in the face of the pandemic but even more important in causing minimal disruption to patients' daily life.

The FDA is reviewing MagForce USA's results from Stage 2a, which are consistent with what we expected previously. MagForce USA has already started recruiting patients for the next stage, which will demonstrate the ability to provide focal ablation treatment for active surveillance patients whose prostate cancer has progressed to require a clinical review and treatment change, such as focal ablation of the identified cancer.

Stage 2b will enroll up to 100 men in total. The study is expected to commence at MagForce's Focal Treatment Center in Texas, the centers in Florida and Washington will be subsequently included. MagForce will treat during the last stage of the clinical trial at all three of its U.S. sites in order to make sure that treatment centers are operational for commercialization once the clinical study is concluded.

Our commercial model is considering continuing the operation of stand-alone Focal Cancer Treatment Centers owned and staffed by MagForce USA. This allows MagForce USA to bill for the entire procedure (including the instillation of the NanoTherm liquid) as it is standard with, for example, dialysis treatments.

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

Our strategy remains solid: While we are completing the study, we will begin preparations for commercialization. During the second half of 2021 we will complete the clinical study and commence commercialization in Q2 of 2022.

The three locations in San Antonio, Texas; Seattle, Washington; and Sarasota, Florida, owned and operated by MagForce USA, will be our immediate commercial locations. In 2022, we plan to have additional proprietary treatment centers in place. In subsequent years, we will continue to open up Focal Cancer Treatment Centers in strategic locations in the U.S. to enable the treatment of patients locally.

Looking back at 2020 I am proud to say, that despite unfavorable external influences, 2020 has turned out to be a good year for our company and has not stopped us in our mission to make our therapy available for cancer patients worldwide.

As before, I remain steadfast in our course – pursuing a strategy of expansion with sustainable partnerships in Europe and providing NanoTherm Therapy in the U.S. to patients suffering from prostate cancer. I would like to express my deepest gratitude to all who have made the past year a success, to our employees for their tireless efforts and achievements and to you, our shareholders, for continuing to place your trust in us. Stay safe and above all that, stay healthy, and I am excitedly looking forward to the future and what we can achieve together.

Sincerely,

Dr. Ben Lipps
Chief Executive Officer &
Chairman of the Management Board MagForce AG
Chief Executive Officer, MagForce USA, Inc.

Dr. Ben Lipps
Chairman &
Chief Executive Officer

Christian von Volkmann
Chief Financial Officer

Investor Relations

Development of the indices

The development of international financial markets in 2020 was dominated by the COVID-19 pandemic. In the course of the year, the stock markets recovered from the substantial price losses in the first half of the year, which resulted primarily from the global spread of the pandemic and the expected negative impact on global economic development.

In 2020, the leading U.S. Dow Jones index recorded a gain of 6.9 percent compared with the closing level of the previous year, while the broader S&P 500 was up by as much as 16.2 percent. While the US stock exchanges performed well, the largest European and German groups in terms of market capitalization struggled more severely with the effects of the pandemic.

The EURO STOXX 50 fell by 4.7 percent. In Germany, the DAX started the 2020 stock market year at 13,233 points on January 2. Starting from an interim high of 13,795 points on February 17, the stock market barometer slumped as a result of the COVID-19 pandemic to 8,256 points on March 16, 2020.

The decline in the first quarter of 2020 totaled 25 percent. While a more positive economic outlook than expected in the meantime, extensive government aid and a flood of central bank liquidity contributed to the strong recovery movement of the leading index in the second quarter, the rise slowed down again impaired by the expected negative economic effects of the second COVID-19 wave starting in the third quarter.

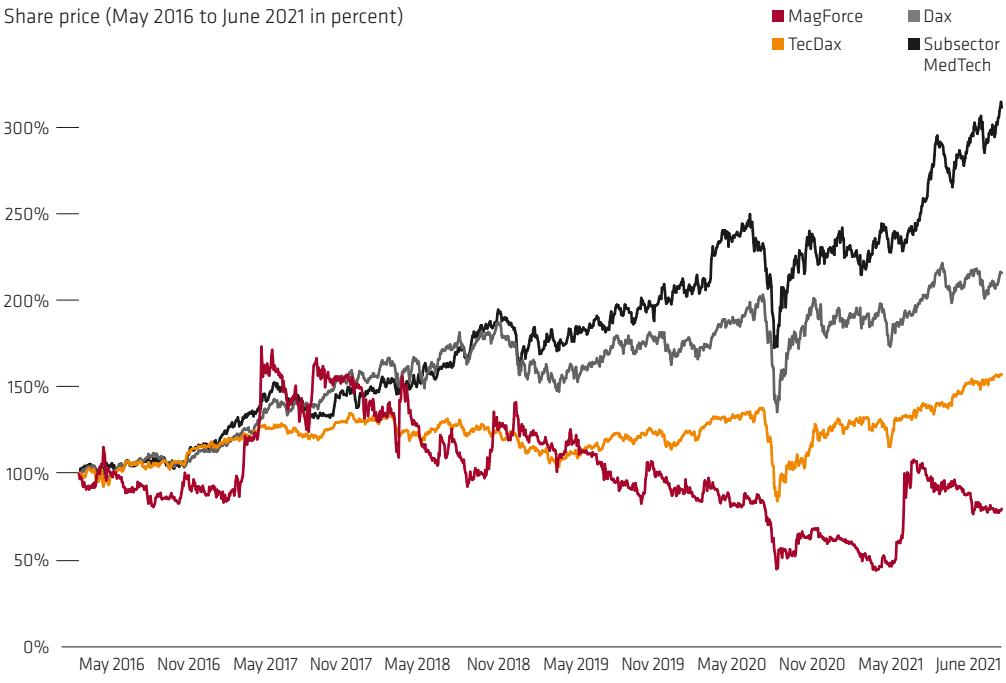
However, monetary assistance programs and the prospect of a COVID-19 vaccine again drove share prices higher during the fourth quarter of 2020. On December 30, 2020, the DAX closed at 13,719 points, up 3.5 percent from its 2019 close. The Scale Index opened the year at 1,059 points, slumped to 728 points on March 18, and rose to 1,392 points by the end of the year. The gain for the year was 31 percent.

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 2020, the MagForce share (MF6.DE) started the year at EUR 4.08 and closed at EUR 4.98 on December 31, 2020, up 22.6 percent. During the reporting period, the share's high was EUR 5.72 and its low was EUR 1.98. The market capitalization of the company was EUR 117 million at the beginning of January 2020 and EUR 146 million at the end of December. On average, 40,604 MagForce shares were traded daily on XETRA and Tradegate (2019: 23,651 shares).

MagForce Share Price Development



Key Figures MagForce Share

Number of shares issued at the beginning of the period	27,705,224
Number of shares issued at the end of the period	29,358,088
Number of shares issued June 25, 2021	29,358,088
Freefloat	70%
2020 High (XETRA) in EUR December 14, 2020	5.72
2020 Low (XETRA) in EUR September 29, 2020	1.98
Share price at the beginning of the period (XETRA) in EUR	4.08
Share price at the beginning of the period (XETRA) in EUR	4.98
Share price June 25, 2021 (XETRA) in EUR	3.95
Market capitalization at the beginning of the period (EUR millions)	113
Market capitalization at the end of the period (EUR millions)	146
Market capitalization June 25, 2021 (EUR millions)	116
Average daily traiding volumue 2020, XETRA and Tradegate in shares	40,604

Research-Coverage

Institut	Latest Update	Target Price in EUR
Berenberg	June 2021	10.10
Edison Investment Research	February 2021	9.30
GBC Investment Research	April 2021	11.00
Hauck & Aufhäuser	February 2021	11.00
Stifel (MainFirst)	April 2021	13.00

Directors Dealings: Further Share Purchase by the CEO, Dr. Ben Lipps

At the end of 2020, the CEO of MagForce AG, Dr. Ben J. Lipps, increased his stake in the company by purchasing further 250,000 shares with a total volume of EUR 1,000,000, thus once again expressing his confidence in the company and its future growth.

Successful Financing Measures of MagForce AG

In order to further implement its growth strategy and to strengthen its balance sheet, MagForce successfully completed the following financing measures in fiscal year 2020:

In December, 1,165,000 new shares were placed in a private placement by increasing the Company's share capital, making partial use of the Authorized Capital and excluding shareholders' subscription rights. The placement price was EUR 4.00 per share and the gross proceeds were approximately EUR 4.7 million.

In June, an agreement was signed with the U.S. investment firm Yorkville Advisors Global LP for growth financing via convertible notes of up to EUR 15 million to be drawn in probably up to five tranches.

Investor Relations Activities

The pandemic and the accompanying regulatory measures also changed MagForce AG's investor relations activities. With the declared aim of reliably and transparently communicating MagForce's strategic goals and corporate development, and thus strengthening investors' confidence in MagForce, management informed the capital market participants in 2020 about the Company's current development, mainly through numerous national and international virtual roadshows and conferences. The 2020 Annual General Meeting was also held virtually.

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

Sustainable Corporate Governance

We see sustainable action as a prerequisite for future and long-term business success – and we are aware of our responsibility for today's and future generations. As a medical technology company, compliance with the highest ecological, social, and ethical standards is our top priority and an integral part of our corporate culture.

Our entire product range, our NanoTherm therapy system for the effective and gentle treatment of solid tumors, and thus the core mission of our company, is already geared towards having a sustainable positive impact. Our daily actions must reflect our ecological and social responsibility in order to be successful as a business in the long term. For this reason, our business model is geared towards sustainable growth while safeguarding the interests of our shareholders. The aim is to create long-term value and to weigh up corporate processes in terms of their impact on the environment, society, patients, and employees.

To meet the current and growing challenges in cancer therapy, our corporate goal is to provide a gentle and effective cancer treatment with the NanoTherm therapy system and to make it available to as many patients as possible. The rising incidence of cancer is generating more and more demand for different treatment options and an improvement in patients' quality of life. Management believes that our current business model is in line with the interests of shareholders aiming at sustainable investment.

Regulatory framework and ethical standards

Strict compliance with applicable national and international regulations is mandatory for every MagForce employee, as well as for third-party contractors and service providers. We work in accordance with a quality management system certified to ISO 13485:2016 and in compliance with national and international legislation (MDR, MDD, MPDG). Clinical trials are conducted in compliance with "Good Clinical Practice" (GCP) according to ISO 14155 and the requirements of ISO 10993.

We have achieved excellent results in the areas of quality and regulatory (Q&R) at MagForce. Our Q&R and risk management team converted our quality management system (QMS) and all technical documentation for devices to the new EU Medical Device Regulation (MDR). The first compliance audit to verify compliance with the applicable requirements of the MDR took place in May 2021 and was completed with excellent results.

The audit results are proof for us that the core value of continuous quality improvement of our medical devices and services, to which we are committed, is taken seriously and implemented. The new MDR certification applies to all 27 member states of the European Union and puts us in a good position to continue our ongoing EU market expansion strategy.

We place great emphasis on compliance with "Good Documentation Practices" (GDP) to maintain our QMS activities. Our practices and approaches have been positively endorsed by various notified bodies who have audited our QMS several times over the past decade. In addition to GDP, we have also incorporated various "Good Manufacturing Practices" (GMP) upgrades into our medical device manufacturing and quality control activities over the years, enabling us to continuously achieve higher levels of quality and improved performance of our medical devices and to ensure that our manufacturing activities remain state of the art. Each device that is part of our NanoTherm therapy system portfolio carefully passes through several steps of rigorous quality control testing, from the component level to the final shipment, installation, and commissioning of the products.

Suppliers are tested, qualified, and audited by MagForce according to our qualification procedures. Animal testing as part of animal studies must take place at MagForce exclusively for the final release of our NanoTherm AS1 liquid. Testing for pyrogens must be performed as part of the approval process, which is performed by a qualified laboratory that follows local, national, and international animal welfare regulations, and is currently only available as in vivo testing. We are looking for a way to avoid this one live animal test as well, so that we can then do without animal testing at all.

Patients

When conducting clinical trials, we comply with the ethical principles originating in the "Declaration of Helsinki" and adhere to all relevant international and national laws and regulations as well as guidelines on "Good Clinical Practice" (GCP). Studies are conducted in accordance with the relevant regulations on data protection (GDPR) and confidentiality.

The protection of the rights, safety, and well-being of all clinical trial participants and the integrity of the data collected are of the highest priority for MagForce. Clinical trials are only initiated after approval by the relevant independent ethics committee and / or institutional review board. Our studies are always supervised by an independent "Clinical Research Organization" (CRO), which permanently monitors compliance with quality standards. This includes, among other things, the study design as well as the biometric planning. Prior to participation in a clinical study, each participant must provide a voluntary informed consent form.

In all processes, compliance with the highest quality and safety standards is a particularly important responsibility. To avoid safety risks for patients and to ensure the quality of our medical devices and the integrity and reliability of the data generated, we have detailed procedures and clear rules.

Employees

It is our mission to provide patients with an effective and at the same time gentle cancer therapy. To be successful in this endeavor, our employees play a decisive role – especially those who are highly motivated and work closely and constructively together across specialist areas. For a company like MagForce, the issues of employee retention, satisfaction, and motivation are therefore of central importance and key success factors.

We offer our employees opportunities for professional and personal development, extensive external training and education programs, flexible working time models, and flat hierarchies. The compatibility of professional development and personal life planning is an essential and strategic success factor for future-oriented companies.

In addition to the aforementioned flexible working time models, MagForce therefore also offers part-time models and employees with families are supported with special offers when re-entering professional life. Transparent communication within the workforce is an integral part of our corporate culture. Regular "town hall meetings" are held, at which the Management Board explains the latest developments at the company to all employees and answers questions. In general, and in as part of an annual employee survey, questions and comments can be voiced publicly or anonymously by the workforce. The 65 employsees working at MagForce AG and its subsidiaries represent 9 nations, 46 percent of the workforce is female.

Safety at work and the protection of our employees is very important to us. Compliance with the Occupational Health and Safety Act is a matter of course. With the help of guidelines and training courses, we strive to keep the number of accidents at the lowest possible level and the safety and well-being of all employees at the highest possible level. In 2020, we recorded no reportable occupational accidents.

Environmental protection

As a responsible and sustainable company, environmental protection and the careful use of resources are of central importance at MagForce. We always strive to minimize the amount of harmful substances used in our laboratory activities, which are only carried out by specially trained personnel. Only companies certified for this purpose are contracted to dispose of chemical waste.

Report of the Supervisory Board

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

The Supervisory Board monitored the management of the Company on an ongoing basis. At five meetings held in the 2020 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. These meetings were attended by all members of the Supervisory Board.

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 as well were discussed in detail. The development and corporate planning were discussed by the Management Board and the Supervisory Board on a quarterly basis.

The following topics, among others, were discussed and the following resolutions were adopted at the meetings:

At the Supervisory Board meeting on March 19, 2020, the update on the operating business of the Company and MagForce USA Inc. including the clinical and financial sectors was discussed. Preliminary figures for 2019 were presented and compared with the planning for 2020, and the planning for 2021 was presented. Furthermore, the further financing options were presented in the same meeting and the next meeting dates were coordinated.

At its meeting on April 30, 2020, the Supervisory Board was provided with an overview of the preliminary annual financial statements for 2019. Furthermore, the update on the operating business of the Company and MagForce USA Inc. including the clinical and financial sector was discussed. At the same meeting, the further status of financing activities was also presented.

By way of a resolution by written circular dated June 23, 2020, the conclusion of a framework agreement for the issuance of convertible bonds in the amount of up to EUR 15.0 million to Yorkville Advisors Global was approved and in a further resolution with the same date, Dr. Ben Lipps was appointed Chief Executive Officer for a further two years until August 31, 2022 and Christian von Volkmann was appointed Chief Financial Officer for a further two years until September 30, 2022.

At the Supervisory Board meeting on June 26, 2020, the 2019 annual financial statements, including the audit report and the auditor's opinion, were presented. At the same meeting, the Supervisory Board discussed the 2019 annual financial statements with the Company's auditor and Executive Board member Christian von Volkmann. A regular Supervisory Board meeting was then held to discuss the Company's operational progress and the status of financing activities.

By way of resolution by written circular dated June 29, 2020, the Supervisory Board approved the agenda for the Company's Annual General Meeting on August 13, 2020. In the same resolution, the report of the Supervisory Board for the financial year 2019 and the annual financial statements and management report for the financial year 2019 were adopted.

In its virtual meeting on August 13, 2020, the Supervisory Board made preparations for the Annual General Meeting following this meeting. The Management Board presented preliminary business figures for the first half of 2020 and provided information in particular on the Company's activities in the area of financing activities. At the same meeting, the transfer of 500,000 shares in MagForce USA, Inc. to MagForce USA Holding GmbH at net present value was approved.

Dr. Rösler stepped down from the Supervisory Board with effect from October 27, 2020. Mr. Aaron Weaver was appointed to the Supervisory Board for the remaining period until the next Annual General Meeting on November 10, 2020.

By way of a resolution by mixed procedure on December 10, 2020, authorization was given to carry out a capital increase by partial utilization of Authorized Capital 2020.

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

The Supervisory Board also discussed important strategic projects with the Executive Board. As in previous years, the focus was on securing the competitiveness and concepts for the future growth of the Company.

The annual financial statements as of December 31, 2020, and the management report for the 2020 financial year prepared by the Executive Board, as well as the accounting records, were audited by AIOS GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Berlin, which was elected as auditor by the Annual General Meeting, and were issued with an unqualified audit opinion.

The Supervisory Board also carefully examined the annual financial statements as of December 31, 2020 and the management report of the Executive Board for the 2020 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, which decided on their approval.

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 of the financial statements. The Supervisory Board sees no reason to raise any objections.

The Supervisory Board approved the annual financial statements prepared by the Executive Board for the year ended December 31, 2020 on June 22, 2021. 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 the financial year 2020, 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, June 22, 2021

The Supervisory Board

Norbert Neef

Chairman of the Supervisory Board

MANAGEMENT REPORT

for the Financial Year 2020

Business and Environment

Company overview

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

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

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

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

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

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

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

Macroeconomic situation

The COVID-19 pandemic plunged the global economy into a deep recession in 2020. According to the report of the German Council of Economic Experts on the assessment of overall economic development, gross domestic product (GDP) in Germany was –5.3 percent compared to the previous year. The negative GDP growth rate of –6.8 percent in the euro zone was even higher than in Germany. Global GDP was –3.6 percent, which means that the global economic slump in 2020 was much stronger than at the height of the global financial crisis in 2009.

The massive impact of the COVID-19 pandemic will also shape the economic development in 2021.

The German Council of Economic Experts expects GDP in Germany to grow by 3.1 percent in 2021. For the euro zone, GDP is expected to grow by 4.1 percent, while the forecast for global GDP is 5.9 percent.

The economic recovery could be jeopardized by renewed waves of infection, especially intensified by viral mutations. A sharp rise in the number of infections could delay the economic recovery. Faster progress in vaccination, on the other hand, could contain the pandemic earlier and accelerate the economic recovery.

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. Negotiations on the reimbursement of costs are currently being conducted in parallel with further broadening of the data situation.

Prostate cancer

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

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

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

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

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

Competition

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

Development of the Company in the financial year

Finance

A financing agreement in the amount of EUR 35.0 million is in place between MagForce AG and the European Investment Bank (EIB). After the first tranche of EUR 10.0 million was disbursed in January 2018, the second tranche of EUR 3.0 million was paid out in January 2020. There is no obligation to call further tranches. Every tranche must be repaid within five years after drawing.

In June 2020, MagForce AG entered into an agreement with the US investment firm Yorkville Advisors Global LP (Yorkville) to issue convertible bonds of up to EUR 15.0 million. Under this agreement, MagForce AG may, at its own discretion and under certain conditions, issue convertible bonds in tranches to Yorkville until June 2023. At the end of June, the first tranche of EUR 2.5 million was utilized. By December 31, 2020, an amount of EUR 1.4 million was converted into shares through the exercise of conversion rights.

In December 2020, a capital increase from Authorized Capital was carried out. 1,165,000 no-par value bearer shares with a proportionate amount of the share capital of EUR 1.00 per share were issued against cash contributions. The subscription of the new shares led to an increase in equity of EUR 4.7 million.

Commercialization

Despite difficult conditions due to the COVID-19 pandemic, MagForce AG was able to significantly increase the number of commercially treated patients in the financial year 2020.

The NanoTherm treatment centers in Lublin and Zwickau, which opened in 2019, made a significant contribution to the success. In December 2020, another NanoTherm treatment center was opened at the Hufeland Clinic in Thuringia at the Mühlhausen site.

The Independent Public Clinical Hospital No. 4 (SPSK4) in Lublin is the first clinic outside Germany to offer the innovative NanoTherm therapy as an additional treatment option for brain tumor patients from Poland and the surrounding area. It is the largest hospital in Lublin Province providing teaching and research facilities for the Lublin Medical University.

The Paracelsus Clinic Saxony at the Zwickau site is the third clinic in Europe that currently offers the NanoTherm therapy of MagForce AG for the treatment of brain tumors. This means that NanoTherm therapy is now directly available to the entire region of eastern Germany. With 34 facilities at a total of 18 locations, the Paracelsus Clinics are among the largest private hospital operators in Germany. The Department of Neurosurgery treats about 2,200 patients a year and performs an average of 1,500 operations annually, including about 500 brain tumors.

The Hufeland Clinic at the Mühlhausen site in Thuringia will be the fourth clinic in Europe to offer the innovative NanoTherm therapy of MagForce AG for the commercial treatment of brain tumors. As an academic teaching hospital of the University of Göttingen, the hospital can look back on over 100 years of experience as a successful health and medical service provider.

The placement of NanoActivators in the infrastructure of the clinics is considerably simplified and thus greatly accelerated by the "plug-and-treat" solution developed by MagForce AG, which has become the delivery standard both in Germany and in other European countries. The NanoActivator and the associated technical equipment are not installed in the clinic's premises, but in containers. The pre-installed containers are transported to the clinic and then only require appropriate space outside the clinic premises and a standard three-phase power connection. Times of up to three months from order placement to installation of a new NanoTherm treatment center can be achieved with the mobile solution.

With the current NanoTherm treatment centers in Münster, Lublin, Zwickau and Mühlhausen, geographically important regions are covered and thus the availability of NanoTherm therapy is significantly increased. The opening of additional treatment centers in Germany as well as in other European countries continues to be the focus of the activities of MagForce AG, but under significantly more difficult conditions due to the COVID-19 pandemic, which is causing delays in expansion activities, especially with regard to the installation of NanoActivators in Spain and Italy.

In addition to the local availability of the NanoTherm therapy, other success factors include reimbursement of costs by healthcare systems and the application of NanoTherm therapy by the best possible trained medical professionals. Thus, MagForce AG continues to work with experts on solutions for an efficient reimbursement process both for patients treated in Germany and abroad. As part of the NanoTherm Therapy School, MagForce AG offers an introduction to the theory and practical surgical application steps required for the successful use of NanoTherm technology for 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.

For the commercialization of focal prostate cancer treatment in the USA, a model has been developed that considers two marketing channels. On the one hand, the operation of own treatment centers and thus the possibility to bill the entire treatment and, on the other hand, the placement of ambulatory NanoActivators in urological clinics that offer the NanoTherm therapy system for the respective clinical site. With clinical centers in San Antonio (Texas), Seattle (Washington), and Sarasota (Florida), MagForce USA Inc. already has three fully equipped treatment centers of

its own where commercial treatment can begin immediately as soon as FDA approval is obtained. Two additional proprietary treatment centers are expected to be established by the end of the study. MagForce USA Inc. is already in contact with the most important "Active Surveillance Programs" across the country in order to assess the need for ambulatory NanoActivators and to open additional centers at strategically important locations in the USA.

US pivotal study

After the successful completion of the first stage of the pivotal US clinical study with the NanoTherm therapy system for focal ablation of prostate cancer with intermediate risk and the receipt of FDA approval in April 2020, MagForce USA Inc. was able to begin the second stage of the study.

In the second stage of the study, a streamlined study protocol is used, in which the treatment of the patient is completed within one day, whereas in the first stage the treatment took place over several weeks.

The second stage of the study is carried out in phases to ensure at an early stage that the minimal side effects observed in the first stage are also maintained in the streamlined one-day treatment.

Despite many restrictions caused by the COVID-19 pandemic, MagForce USA Inc. is able to carry out the study in its outpatient facilities due to exemptions for the healthcare sector and has taken measures to contain COVID-19 infections for the staff and the study participants. Although the additional security measures lead to certain delays, these are limited because the Company uses its own treatment centers.

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). With Stage 2a, the positive results of Stage 1 were confirmed. Also, with the streamlined study protocol, only minimal, well-tolerated, treatment-related side effects were observed.

The final Stage 2b is being prepared at the three MagForce USA Inc. sites in Texas, Washington and Florida and aims to develop a treatment alternative to definitive therapy for prostate cancer patients with intermediate risk.

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 621 thousand (previous year: EUR 840 thousand). Revenues come from the commercial treatment of patients with NanoTherm therapy in Germany and Poland in the amount of EUR 527 thousand (previous year: EUR 85 thousand) and NanoTherm deliveries to subsidiaries in the amount of EUR 94 thousand (previous year: EUR 755 thousand).

Other own work capitalized in the amount of EUR 437 thousand (previous year: EUR 218 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 26,486 thousand (previous year: EUR 904 thousand) in the financial year. The increase in other operating income is due to the extraordinary effect of the intra-group transfer of shares in MagForce USA Inc., which led to the realization of hidden reserves in the amount of EUR 25,583 thousand. Excluding this effect, other operating income amounted to

EUR 903 thousand and thus to the previous year's level. Other operating income also includes recharges of management services and other administrative services to subsidiaries in the amount of EUR 444 thousand (previous year: EUR 545 thousand) and income from exchange rate differences in the amount of EUR 316 thousand (previous year: EUR 75 thousand).

Cost of materials increased from EUR 164 thousand to EUR 627 thousand. The increase in cost of materials is mainly due to the increase in the services received as part of the implementation of a European registry study of NanoTherm therapy.

Personnel expenses in the amount of EUR 4,121 thousand (previous year: EUR 3,987 thousand) also include bonus payments. In addition, the slight increase in the number of employees contributed to the increase in personnel expenses.

Amortization of intangible assets and depreciation of property, plant and equipment amounted to EUR 665 thousand and was EUR 23 thousand slightly higher than in the previous year (EUR 642 thousand).

Other operating expenses amounted to EUR 3,515 thousand and were therefore EUR 144 thousand higher than in the previous year (EUR 3,371 thousand). The increase in other operating expenses is mainly due to capital raising measures.

While the previous year showed a negative operating result of EUR 6,203 thousand, 2020 closed with a positive operating result of EUR 18,620 thousand. The positive operating result is due to the extraordinary effect of the intra-group transfer of shares in MagForce USA Inc. with the realization of hidden reserves in the amount of EUR 25,583 thousand. Normalized for this effect, the Company would have reported a negative operating result of EUR 6,963 thousand in the financial year.

At EUR 215 thousand, interest income was the same as in the previous year (EUR 215 thousand), while interest expenses increased by EUR 1,355 thousand from EUR 1,683 thousand to EUR 3,038 thousand. The reasons for the increase in interest expenses are, on the one hand, new borrowing and, on the other hand, higher interest rates for liabilities that are partially linked to the share price. The write-down of

contributions to fund the operations of the subsidiary MT MedTech Engineering GmbH amounted to EUR 1,048 thousand (previous year: EUR 1,058 thousand). The increase in interest expenses accordingly led to an increase in the negative financial result by EUR 1,344 thousand from EUR 2,526 thousand to EUR 3,870 thousand.

Due to the aforementioned extraordinary effect of the realization of hidden reserves in connection with the intra-group transfer of shares in MagForce USA Inc., the 2020 financial year closed with a net profit of EUR 14,747 thousand (previous year: net loss of EUR 8,731 thousand). Normalized for this effect, the Company would have reported a net loss for the year of EUR 10,836 thousand.

Net assets

Total assets increased by EUR 28,932 thousand from EUR 36,660 thousand to EUR 65,592 thousand.

On the assets side, within the fixed assets there were significant changes in financial assets and intangible fixed assets. The financial assets increased due to the intra-group transfer of shares in MagForce USA Inc. by EUR 25,585 thousand from EUR 30,983 thousand to EUR 56,568 thousand. The intangible assets increased by EUR 851 thousand and amounted to EUR 1,620 thousand at the end of the year (previous year: EUR 769 thousand). The change is mainly due to the capitalization of expenses for the creation of the product files for the medical devices of MagForce AG within the scope of the requirements of the new Medical Device Regulation.

Current assets increased by EUR 1,878 thousand from EUR 1,615 thousand to EUR 3,493 thousand. The increase in current assets is mainly due to the increase in cash and cash equivalents by EUR 1,539 thousand from EUR 167 thousand to EUR 1,706 thousand, which took place in the context of the financing measures carried out.

On the liabilities side, the net profit reduced the accumulated deficit by EUR 14,747 thousand to EUR 46,048 thousand. Due to the capital increase from the Authorized Capital and the exercise of conversion rights from convertible bonds, equity was increased by EUR 6,060 thousand. The Company's share capital was increased from EUR 27,705 thousand to EUR 29,358 thousand by issuing 1,652,864 new shares. The capital reserves increased by EUR 4,407 thousand to EUR 52,205 thousand.

Other provisions increased by EUR 531 thousand to EUR 2,551 thousand. This was mainly due to the addition of provisions for share price linked liabilities and outstanding supplier invoices.

Liabilities increased in the financial year by EUR 7,623 thousand to EUR 27,334 thousand. This is mainly due to the increase in liabilities to banks in the amount of EUR 4,052 thousand and the liabilities from convertible bonds in the amount of EUR 2,100 thousand.

Financial position

The Company's net profit for the year amounted to EUR 14,747 thousand (previous year: net loss EUR 8,731 thousand).

Cash flow from operating activities amounted to EUR –5,698 thousand (previous year: EUR –5,671 thousand). Cash outflow from operating activities was derived indirectly from net profit. Cash outflows largely relate to the financing of operating activities.

Cash flow from investing activities amounted to EUR –2,981 thousand (previous year: EUR –1,941 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 10,218 thousand (previous year: EUR 6,286 thousand) and was mainly attributable to the cash inflows resulting from the capital increase carried out and the issue of convertible bonds, as well as the drawdown of further funds from the EIB loan. The cash inflows were offset by interest payments.

At the end of the financial year, freely available liquidity amounted to EUR 1,706 thousand (previous year: EUR 167 thousand).

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

MagForce AG ended the year with a net profit of EUR 14,747 thousand, while the previous year ended with a net loss of EUR 8,731 thousand. The positive result 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.

The operating result amounted to EUR 18,620 thousand (previous year: EUR –6,203 thousand). Adjusted for the hidden reserves the operating result is EUR –6,963 thousand and in line with the forecast.

The negative financial result increased by EUR 1,344 thousand to EUR –3,870 thousand (previous year: EUR –2,526 thousand). According to the forecast, the external financing measures carried out led to a significant increase in the negative financial result. In addition, the development of the share price-linked debt components had a significant influence.

In 2020, significantly more patients were treated commercially than in the previous year. The new NanoTherm treatment centers in Zwickau and Lublin contributed substantially to this success. The number of patients treated also increased strongly at the Münster site.

In December 2020, a new NanoTherm treatment center was opened at the Mühlhausen site in Thuringia. Further treatment centers are planned for both Germany and other European countries.

In the financial year 2020, the NanoTherm Therapy School, launched in 2019, was successfully further established with the implementation of Module B – Part II stereotactic instillation.

After the first stage of the US study had been successfully completed, work on the second and, at the same time, last stage, in which patients are treated with the streamlined procedure, was started in the financial year.

MagForce AG was thus able to achieve important milestones both in the EU as part of its roll-out strategy and in the USA with the start of the last stage of the study.

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, in particular, 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. In order 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, the patient treatment in Stage 2a was completed, with the result that only minimal, well-tolerated, treatment-related side effects occurred even with the streamlined study protocol. The final Stage 2b of the study is now being prepared at the Texas, Washington, and Florida sites.

With its "plug-and-treat" container solution, MT MedTech Engineering GmbH has developed a delivery standard for mobile NanoTherm treatment centers that reduces the time from order placement to installation of the NanoTherm treatment center to around three months. In parallel, work was carried out on further NanoTherm treatment centers and the development of the ambulatory NanoActivator for the treatment of prostate cancer.

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 the year 2020, MagForce AG employed 29 people (excluding members of the Management Board), three more than in the previous year. As of December 31, 2020, 38 percent of the workforce consisted of women (previous year: 46 percent). At the end of the year, the MagForce Group employed a total of 64 people (previous year: 56 employees).

Opportunities and Risks

Opportunities

The goal of MagForce AG is to develop 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 on the basis of 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 and plans for further sites both in Germany and in other European countries are well advanced. 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 the completion of the study, the opening of two further company-owned treatment centers is planned. An additional marketing channel opens up by placing ambulatory NanoActivators in urological clinics offering the NanoTherm therapy system for the respective clinical sites. This will significantly expand the availability of the therapy across the country.

The potential of MagForce AG's NanoTherm technology is great. 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 with regard to 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 Medicinal Products 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 29 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.

The COVID-19 pandemic is restricting both the treatment of patients in the existing centers and the opening of new treatment centers. It cannot be ruled out that the expansion targets of MagForce AG and the associated sales targets will not be achieved as planned. Negative effects with regard to the implementation of financing measures are also possible.

Risk Management Targets and Methods in Relation to Financial Instruments

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

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

Report on Expected Developments

The following core activities are planned for 2021:

- Further increase in the number of commercially treated patients in Germany and Poland
- Initiation of further placements of NanoActivators in Germany and other European countries for the treatment of brain tumors
- Continuation of activities to establish an efficient reimbursement procedure in Germany and the target countries for NanoTherm therapy
- Completion of the second stage of the pivotal clinical study for NanoTherm therapy in the indication prostate cancer in the USA
- Start of commercialization activities of NanoTherm therapy for the treatment of prostate cancer in the USA
- Continuation of NanoTherm Therapy School

MagForce AG has taken measures to continue to pursue its goals without significant delays, even in the context of the COVID-19 pandemic. However, it cannot be ruled out with certainty that, in particular due to the worsening of the COVID-19 pandemic, goals cannot be achieved or that their implementation will be postponed.

Expected results

MagForce AG expects a significant increase in revenues due to a rise in the number of commercially treated patients in Europe and the start of commercialization activities in the USA upon successful completion of the US pivotal study. In this context, an increase in NanoTherm production volumes is also expected. The production of ambulatory NanoActivators will take place depending on the progress of commercialization in the USA.

Due to continued expenses for the European expansion strategy, a positive operating result is not expected for the financial year 2021 despite higher revenues. The positive operating result in 2020 resulted from the realization of hidden reserves through the intercompany transfer of shares in MagForce USA Inc.

A sustained negative financial result is expected for the 2021 financial year, as further debt financing measures are likely and rising interest payments will have a negative impact on the financial result.

Despite measures taken against the COVID-19 pandemic by MagForce AG, it cannot be ruled out that a worsening of the pandemic will lead to restrictions in commercialization activities, so that revenue targets cannot be achieved with a corresponding negative impact on the expected results.

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 in particular the commercialization of NanoTherm therapy for the treatment of brain tumors in Germany and its neighbouring countries as well as in other EU 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 2021 and 2022, 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 due to the expansion activities.

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 1,706 thousand as of December 31, 2020 (previous year: EUR 167 thousand) and available credit lines, MagForce AG has prepared a financial plan according to which the business activities for the years 2021 and 2022 can be financed. Under this financial plan, the liquid funds and callable loans available as of December 31, 2020 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 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 7, 2021

The Management Board

Dr. Ben J. Lipps
Chief Executive Officer

Christian von Volkmann
Chief Financial Officer

FINANCIAL STATEMENTS

Statement of Income

in EUR	01/01–12/31/2020	01/01–12/31/2019
Revenues	621,142.65	839,932.62
Increase in work in progress	2,945.00	0.00
Other own work capitalized	437,144.22	218,105.69
Other operating income	26,486,243.32	903,506.43
thereof from exchange rate differences EUR 316,040.42 (Previous year: EUR 74,766.30)		
Cost of materials		
a) Raw materials and supplies and purchased goods	74,027.51	25,762.59
b) Purchased services	552,550.21	138,703.50
	626,577.72	**164,466.09**
Personnel expenses		
a) Salaries	3,742,767.07	3,628,240.76
b) Social security contributions and expenses for retirement benefits and other employee benefits	377,755.28	358,497.65
thereof for retirement benefits EUR 37,270.96 (Previous year: EUR 42,178.32)		
	4,120,522.35	**3,986,738.41**
Amortization and depreciation		
of intangible fixed assets and property, plant and equipment	665,488.54	642,207.21
Other operating expenses	3,515,258.07	3,371,070.23
thereof from exchange rate differences EUR 48,527.34 (Previous year: EUR 123,153.15)		
Operating result	**18,619,628.51**	**–6,202,937.20**
Other interest and similar income	215,132.41	215,223.24
thereof from affiliated companies EUR 214,675.04 (Previous year: EUR 214,675.04)		
Amortization of financial assets	1,047,770.00	1,058,200.00
Interest and similar expenses	3,037,779.35	1,682,938.03
thereof from affiliated companies EUR 114,158.50 (Previous year: EUR 17,769.04)		
Financial result	**–3,870,416.94**	**–2,525,914.79**
Result after taxes	**14,749,211.57**	**–8,728,851.99**
Other taxes	2,560.51	1,749.06
Net profit / net loss	**14,746,651.06**	**–8,730,601.05**
Loss carried forward from the previous year	–60,794,761.67	–52,064,160.62
Accumulated deficit	**–46,048,110.61**	**–60,794,761.67**

Balance Sheet as of December 31, 2020

Assets

in EUR	12/31/2020	12/31/2019
A. Fixed assets		
I. Intangible fixed assets		
1. Intangible assets under development	1,092,749.91	218,105.69
2. Purchased concessions, commercial trade mark rights and similar rights and values, and licences in such rights and values	109,692.08	171,507.08
3. Prepayments	417,430.20	379,052.39
	1,619,872.19	**768,665.16**
II. Tangible fixed assets		
1. Leasehold improvements	7.00	7.00
2. Technical assets and machines	2,562,385.99	2,139,395.99
3. Other equipment, furniture, and fixtures	173,844.00	214,119.00
4. Prepayments and construction in progress	870,978.77	873,393.41
	3,607,215.76	**3,226,915.40**
III. Financial assets		
Shares in affiliated companies	56,568,104.60	30,982,654.78
	61,795,192.55	**34,978,235.34**
B. Current assets		
I. Inventories		
1. Work in progress	293,991.25	291,046.25
2. Goods for resale	42,292.00	39,867.00
3. Customer advances	–177,773.56	–272,326.21
	158,509.69	**58,587.04**
II. Receivables and other assets		
1. Trade accounts receivables	370,232.90	95,863.79
2. Receivables from affiliated companies	695,097.65	1,027,536.28
3. Other assets	562,480.43	265,276.59
	1,627,810.98	**1,388,676.66**
III. Cash in hand and bank balances	1,706,427.11	167,417.62
	3,492,747.78	**1,614,681.32**
C. Prepaid expenses	303,725.62	66,985.99
	65,591,665.95	**36,659,902.65**

Shareholders' equity and liabilities

in EUR	12/31/2020	12/31/2019
A. Shareholders' equity		
I. Subscribed capital	29,358,088.00	27,705,224.00
Contingent capital: EUR 10,753,636.00 (previous year: EUR 12,986,006.00)		
II. Capital reserves	52,204,742.25	47,797,608.75
III. Accumulated deficit	–46,048,110.61	–60,794,761.67
	35,514,719.64	**14,708,071.08**
B. Special item for investment subsidies	35,396.75	39,122.63
C. Provisions		
Other provisions	2,551,038.02	2,020,162.90
D. Liabilities		
1. Convertible note	7,100,000.00	5,000,000.00
thereof convertible EUR 7,100,000.00 (previous year: EUR 5,000,000.00)		
2. Liabilities to financial institutions	15,725,982.33	11,673,666.85
3. Trade accounts payable	301,794.52	677,057.24
4. Liabilities to affiliated companies	2,830,484.70	1,842,365.10
5. Other liabilities	1,375,906.30	517,906.04
thereof taxes EUR 471,904.53 (previous year: EUR 188,295.10)		
thereof social security EUR 64,494.86 (previous year: EUR 1,870.04)		
	27,334,167.85	**19,710,995.23**
E. Deferred income	156,343.69	181,550.81
	65,591,665.95	**36,659,902.65**

Analysis of Fixed Assets

	Historical cost				
in EUR	01/01/2020	Additions	Reclassifications	Disposals	12/31/2020
I. Intangible fixed assets					
Intangible assets under development	218,105.69	874,644.22	0.00	0.00	1,092,749.91
Purchased concessions, commercial trade mark rights and similar rights and values, and licences in such rights and values	229,283.47	5,908.50	86,866.09	112,204.00	209,854.06
Prepayments	379,052.39	125,243.90	–86,866.09	0.00	417,430.20
	826,441.55	**1,005,796.62**	**0.00**	**112,204.00**	**1,720,034.17**
II. Tangible fixed assets					
Leasehold improvements	1,153,635.45	0.00	0.00	0.00	1,153,635.45
Technical assets and machines	4,579,951.99	246,188.38	751,105.43	0.00	5,577,245.80
Other equipment, furniture, and fixtures	681,086.19	8,525.14	0.00	2,589.87	687,021.46
Prepayments and construction in progress	873,393.41	748,690.79	–751,105.43	0.00	870,978.77
	7,288,067.04	**1,003,404.31**	**0.00**	**2,589.87**	**8,288,881.48**
III. Financial assets					
Shares in affiliated companies	32,945,571.14	28,136,525.33	0.00	1,503,305.51	59,578,790.96
Loans to affiliated companies	2,453,107.83	0.00	0.00	0.00	2,453,107.83
	35,398,678.97	**28,136,525.33**	**0.00**	**1,503,305.51**	**62,031,898.79**
	43,513,187.56	**30,145,726.26**	**0.00**	**1,618,099.38**	**72,040,814.44**

	Accumulated depreciation				Net book value	
	01/01/2020	Additions	Disposals	12/31/2020	**12/31/2020**	12/31/2019
	0.00	0.00	0.00	0.00	1,092,749.91	218,105.69
	57,776.39	42,385.59	0.00	100,161.98	109,692.08	171,507.08
	0.00	0.00	0.00	0.00	417,430.20	379,052.39
	57,776.39	**42,385.59**	**0.00**	**100,161.98**	**1,619,872.19**	**768,665.16**
	1,153,628.45	0.00	0.00	1,153,628.45	7.00	7.00
	2,440,556.00	574,303.81	0.00	3,014,859.81	2,562,385.99	2,139,395.99
	466,967.19	48,799.14	2,588.87	513,177.46	173,844.00	214,119.00
	0.00	0.00	0.00	0.00	870,978.77	873,393.41
	4,061,151.64	**623,102.95**	**2,588.87**	**4,681,665.72**	**3,607,215.76**	**3,226,915.40**
	1,962,916.36	1,047,770.00	0.00	3,010,686.36	56,568,104.60	30,982,654.78
	2,453,107.83	0.00	0.00	2,453,107.83	0.00	0.00
	4,416,024.19	**1,047,770.00**	**0.00**	**5,463,794.19**	**56,568,104.60**	**30,982,654.78**
	8,534,952.22	**1,713,258.54**	**2,588.87**	**10,245,621.89**	**61,795,192.55**	**34,978,235.34**

Notes to the Annual Financial Statements for the Financial Year 2020

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, 2020, to December 31, 2020, 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, 2020, the reported negative equity of the subsidiary amounted to EUR 6,321 thousand (previous year: EUR 6,374 thousand). Net loss for the financial year from January 1 to December 31, 2020, amounted to EUR 994 thousand (previous year: EUR 1,304 thousand).

In the financial year, an amount of EUR 1,048 thousand (previous year: EUR 1,058 thousand) was paid into the free capital reserve in accordance with section 272(2) No. 4 HGB. An impairment charge was recognized for shareholdings in MT MedTech Engineering GmbH to carry the investment at the lower fair market value of EUR 1.00 according to the principle of conservatism. Should MT MedTech 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, 2020, the reported equity of the subsidiary amounted to USD 23,352 thousand (previous year: USD 28,678 thousand). Net loss for the financial year from January 1 to December 31, 2020, amounted to USD 5,325 thousand (previous year: USD 4,994 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 46,593 thousand as of December 31, 2020 (previous year: EUR 19,520 thousand). The increase in equity is due to the transfer of shares in MagForce USA Inc. by MagForce AG. The net loss for the financial year from January 1 to December 31, 2020 amounted to EUR 14 thousand (previous year: EUR 17 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, 2020 amounted to PLN 151 thousand (previous year: PLN 78 thousand). The net loss for the financial year from January 1 to December 31, 2020 amounted to PLN 73 thousand (previous year: PLN 77 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 291 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.

Inventories also include stocks of catheters in the amount of EUR 42 thousand (previous year: EUR 40 thousand) that are used for the NanoTherm therapy.

Receivables and other assets

Receivables and other assets in the amount of EUR 24 thousand (previous year: EUR 30 thousand) have a remaining term of more than one year.

Receivables from affiliated companies include EUR 214 thousand (previous year: EUR 725 thousand) in trade receivables and EUR 481 thousand (previous year: EUR 303 thousand) in other assets.

Other assets mainly include receivables from value added tax in the amount of EUR 147 thousand (previous year: EUR 135 thousand). In addition, other assets include rental deposits of EUR 24 thousand (previous year: EUR 30 thousand) with an indefinite remaining term.

Subscribed capital

As of January 1, 2020, the Company's subscribed capital amounted to EUR 27,705,224.00 and was divided into 27,705,224 no-par value bearer shares (ordinary shares) with a proportionate amount in the share capital of EUR 1.00 per share.

The implementation of a capital increase from Authorized Capital 2020/I led to an increase in the share capital by 1,165,000 new no-par value bearer shares with a proportionate amount of the share capital of EUR 1.00 per share.

Furthermore, through the exercise of conversion rights from the Contingent Capital 2018/I, the share capital was increased by 487,864 new no-par value bearer shares with a proportionate amount of the share capital of EUR 1.00 per share during the financial year.

As of December 31, 2020, 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 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, 2020, 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). There were no changes as of December 31, 2020.

As of January 1, 2020, 13,826 options had been issued from Contingent Capital 2007/I. 3,579 options expired leaving 10,247 options issued as of December 31, 2020.

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, 2020, 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, 2020.

As of January 1, 2020, 107,500 options from Contingent Capital 2012/II had been issued. There were no changes as of December 31, 2020.

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, 2020.

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, 2020, 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, 2020.

As of January 1, 2020, 1,697,192 options from Contingent Capital 2013/III had been issued. There were no changes as of December 31, 2020.

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, 2020, 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, 2020.

As of January 1, 2020, 50,000 options from Contingent Capital 2015/I had been issued. There were no changes as of December 31, 2020.

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, 2020, 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, 2020.

As of January 1, 2020, 52,500 options from Contingent Capital 2017/I had been issued. 25,000 options were subsequently registered for 2019. As a result, 77,500 options were issued from Contingent Capital 2017/I as of December 31, 2020.

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, 2020, Contingent Capital 2018/I amounted to EUR 9,537,269.00. Contingent Capital 2018/I has been cancelled in the amount of EUR 8,304,339.00 by resolution of the Annual General Meeting on August 13, 2020. Furthermore, Conditional Capital 2018/I was reduced in the amount of EUR 487,864.00 by the issue of 487,864 new shares and amounted to EUR 745,066.00 as of December 31, 2020.

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 December 31, 2020, Conditional Capital 2020/I remained unchanged at EUR 6,559,833.00.

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 subscription right of shareholders is excluded in certain cases.

After partial utilization, Authorized Capital 2015/I amounted to EUR 10,914,422.00 as of January 1, 2020. By resolution of the Annual General Meeting on August 13, 2020, the Authorized Capital 2015/I was completely cancelled.

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.

In the financial year, there was a reduction through a capital increase from Authorized Capital 2020/I in the amount of EUR 1,165,000.00. As of December 31, 2020, the Authorized Capital 2020/I amounted to EUR 12,687,612.00.

Capital reserves

Compared to December 31, 2019, the capital reserves increased by EUR 4,407 thousand due to a capital increase from Authorized Capital 2020/I and the exercise of conversion rights from Contingent Capital 2018/I in financial year 2020.

Net accumulated losses

The net accumulated losses contain accumulated losses brought forward of EUR 60,795 thousand. Net accumulated losses developed as follows:

in EUR thousand	
Net accumulated losses as of December 31, 2019	60,795
Net profit 2020	14,747
Net accumulated losses as of December 31, 2020	**46,048**

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, 2020, an amount of EUR 4 thousand (previous year: EUR 11 thousand) was reversed to the income statement from the special reserve for investment grants and subsidies.

Provisions

Other provisions as of December 31, 2020, compared to December 31, 2019, consisted of the following:

in EUR thousand	12/31/2020	12/31/2019
Personnel-related	265	384
Outstanding supplier invoices	302	97
Supervisory Board remuneration	94	28
Audit costs	42	41
Other	1,848	1,470
Total	**2,551**	**2,020**

Other include provisions for dismantling commitments amounting to EUR 103 thousand (previous year: EUR 103 thousand), for the annual report amounting to EUR 22 thousand (previous year: EUR 32 thousand), and for the annual general meeting amounting to EUR 38 thousand (previous year: EUR 38 thousand). Furthermore, share price linked debt components amounting to EUR 1,678 thousand (previous year: EUR 1,290 thousand) are included.

Liabilities

Convertible notes have a remaining term of up to one year. Thereof EUR 1,100 thousand are zero coupon convertible bonds issued in June 2020. Provisions in the amount of EUR 1,000 thousand from entering into liabilities with a partial share price link were restructured into convertible notes.

Liabilities to financial institutions in the amount of EUR 15,726 thousand (previous year: EUR 11,674 thousand) result from the payment of the first tranche of the European Investment Bank (EIB) loan of EUR 10,000 thousand and the drawing of the second tranche in January 2020 in the amount of EUR 3,000 thousand as well as accrued interest. The remaining term of the loan from the first tranche is two years; that of the second tranche is four years. In connection with the financing agreement, certain rights to NanoTherm Therapy were secured by the EIB.

As in the previous year, trade accounts payable amounting to EUR 302 thousand (previous year: EUR 677 thousand) are due within one year.

Liabilities to affiliated companies include EUR 214 thousand (previous year: EUR 51 thousand) of trade payables and EUR 2,616 thousand (previous year: EUR 1,791 thousand) of other liabilities.

Other liabilities mainly include liabilities from wages and salaries in the amount of EUR 583 thousand (previous year: EUR 234 thousand) and from wage and church taxes in the amount of EUR 472 thousand (previous year: EUR 177 thousand) as well as liabilities for interest on convertible notes in the amount of EUR 164 thousand (previous year: EUR 82 thousand) and social security liabilities in the amount of EUR 63 thousand (previous year: EUR 2 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 11,608 thousand (previous year: EUR 8,037 thousand) and over one year of EUR 15,726 thousand (previous year: EUR 11,674 thousand).

Income statement disclosures

Revenues

The Company generated revenues of EUR 621 thousand in the financial year (previous year: EUR 840 thousand).

Revenues result from the commercial treatment of patients with NanoTherm therapy in Germany and Poland in the amount of EUR 527 thousand (previous year: EUR 85 thousand) and NanoTherm deliveries to subsidiaries in the amount of EUR 94 thousand (previous year: EUR 755 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 hidden reserves realized through the intra-group transfer of shares in MagForce USA Inc. in the amount of EUR 25,583 thousand (previous year: EUR 0 thousand), recharges of management services and other administrative services to subsidiaries in the amount of EUR 444 thousand (previous year: EUR 545 thousand) as well as income from exchange rate differences of EUR 316 thousand (previous year: EUR 75 thousand).

Cost of materials

Cost of materials comprises expenses for raw materials and supplies, and for purchased goods in the amount of EUR 74 thousand (previous year: EUR 26 thousand), and expenses for purchased services in the amount of EUR 553 thousand (previous year: EUR 139 thousand). Compared to the previous year, cost of materials increased by EUR 462 thousand.

Personnel expenses

Personnel expenses in the amount of EUR 4,121 thousand (previous year: EUR 3,987 thousand) consist of expenses for wages and salaries in the amount of EUR 3,743 thousand (previous year: EUR 3,628 thousand) as well as expenses for social security and retirement benefits in the amount of EUR 378 thousand (previous year: EUR 358 thousand).

Personnel expenses of EUR 300 thousand (previous year: EUR 346 thousand) from the performance of management services were recharged to the subsidiaries.

Expenses for retirement benefit plans amounted to EUR 37 thousand (previous year: EUR 42 thousand) resulting from a defined contributions pension scheme.

Other operating expenses

Other operating expenses of EUR 3,515 thousand (previous year: EUR 3,371 thousand) mainly include financing costs of EUR 803 thousand (previous year: EUR 104 thousand), expenses for legal, auditing and consulting costs of EUR 432 thousand (previous year: EUR 548 thousand), expenses for investor relations of EUR 305 thousand (previous year: EUR 338 thousand), IT and maintenance costs of EUR 234 thousand (previous year: EUR 243 thousand), an impairment loss of EUR 215 thousand (previous year: EUR 215 thousand) on interest receivables from the subsidiary MT MedTech Engineering GmbH, expenses for commercialization and marketing of EUR 211 thousand (previous year: EUR 400 thousand), premises costs of EUR 195 thousand (previous year: EUR 190 thousand), travel expenses of EUR 162 thousand (previous year: EUR 394 thousand) as well as patent costs of EUR 148 thousand (previous year: EUR 211 thousand).

Other interest and similar income

Other interest and similar income includes 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 were attributable to long-term loans in the amount of EUR 2,232 thousand. This item also includes interest on convertible notes in the amount of EUR 688 thousand and interest to affiliated companies in the amount of EUR 114 thousand.

Supplemental disclosures

Other financial obligations

Other financial obligations totaling EUR 273 thousand (previous year: EUR 940 thousand) result from rental contracts for premises, leasing of cars and office equipment as well as purchase commitments.

Contingent liabilities

MagForce AG is jointly and severally liable for lease liabilities of its affiliated company MagForce USA Inc. in the amount of EUR 1,782 thousand.

Employees

The average number of employees in the Company (excluding Management Board members) is 28 (previous year: 26).

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, 2020.

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
Prof. Dr. Hoda Tawfik Pharmacist	10/01/2012	09/30/2020	Chief Medical Officer
Christian von Volkmann MBA	10/01/2012	09/30/2022	Chief Financial Officer

Supervisory Board

- **Norbert Neef** (Chairman), lawyer, chairman of the supervisory board of Singularity Capital AG, Frankfurt am Main; supervisory board of Gyant.com, Inc., San Francisco.
- **Klemens Hallmann** (Deputy Chairman), entrepreneur, supervisory board mandates:
  - JDC Group AG, Wiesbaden,
  - C-Quadrat Investment AG, Vienna,
  - SÜBA Liegenschaftsbeteiligungs GmbH, Vienna,
  - Film House Germany AG, Berlin.
- **Aaron Weaver,** Investor Relations Manager, Member of the Supervisory Board since November 2020, supervisory board of Bionomics Ltd., Adelaide, Australia
- **Dr. Wiebke Rösler,** physician, resigned from the Supervisory Board in October 2020.

Report on subsequent events

In February 2021, patient treatment in Stage 2a of the US pivotal study for focal ablation of intermediate risk prostate cancer was completed. The positive results of the first stage were also confirmed with the streamlined study protocol of Stage 2a.

MagForce AG entered into an agreement with Apeiron Investment Group Ltd. in March 2021 to issue convertible notes in the total amount of EUR 2.5 million with a term of 24 months.

No other events occurred after December 31, 2020 that had a material impact on the financial position and performance of the Company.

Berlin, June 7, 2021

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, 2020, and the statement of profit and loss for the financial year from January 1 to December 31, 2020, 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, 2020.

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, 2020 and of its financial performance for the financial year from January 1 to December 31, 2020 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 7, 2021

AIOS GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Marco Schneider
German Public Auditor

Sebastian Motzkus
German Public Auditor

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