



2020 | ANNUAL REPORT

mynaric

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1 Shareholders

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SHAREHOLDER LETTER

Dear shareholder,

The last twelve months have marked a turning point in our market and have been highly successful for us. We have secured, amongst others, two high profile wins within the framework of US Government programs, and I am glad to tell you that this last year has set the bar for how we will proceed in the coming months as we pursue further contract wins.

What we are seeing in the aerospace optical connectivity arena is the turning point we have been predicting in our emerging market. The crucial moment where the decisions taken now by a few key players will shape the market for years to come and I am happy to report that we are right in the middle of it.

Mynaric's history and heritage over the last ten years has brought us to the position today that we have harnessed a technology into offering two key products that are in high demand from the aerospace industry. In this key year when the first, few fundamental pathfinder awards within our industry have been made, we have succeeded in positioning Mynaric in crucial programs that act as catalysts for our market.

We believe that there are in the region of about ten players in the laser communication market, all of whom would have wanted – and needed – a share of these first phase 1 missions of the type that US government actors have awarded in the last 12 months. What we have witnessed, however, is a down-selection process based on these companies' strategies and products which has resulted in – in the eyes of organizations such as DARPA and others – only a few advanced players with mature products that can populate key strategic national security constellations with laser communication products for their backbone connectivity.

And Mynaric is one of them.

This positions us not only perfectly to provide products for the next phases in the programs we are already part of. It is also our entry ticket to the wider US governmental market which is by far the most important one for our products today.

So, what you will see from us in 2021 is no let-up in our proactivity. 2020 has proved that we are poised to become the industrial laser communication company – we put our money where our mouth is when it comes to this with continued investment, refinement and improvement to products and our long-standing commitment to serial production. And these investments have already paid off with both CONDOR and HAWK AIR terminals winning contracts. We have laser-sharp focus when it comes to our products and we will not deviate for one second away from it. The company's resources are on continued investment in reaching a production capability that will increase exponentially in the next years to match the requirements of the market and customers and to allow us to win more business.

Our production will never be static. We are in the position now where we are always working towards gearing our production rates to the numbers that will be expected in the coming year as we see the number of terminals required by various constellations increase over these periods. Our production plans are looking to the future and are not sitting in the present. This is how we are operating as a company. We have explained to you in previous reports how our strategy was to move from a project-led company to a product-led company and we have done just that.

And what we are learning from our pre-series products and from feedback from initial customers is resulting in new iterations of terminals with reduced size, weight, and power as we continue to increase our production capacity for the market that is ahead of us.

The elements that have contributed to us securing this competitive edge are the same things that will see us consolidate our position as we move forward.

To recap on just some of the progress made in 2020:

- We have raised a total of more than 70 million euros in growth financing to implement the expansion of our presence in the all-important North American market, as well as the expansion of production and the further development of our products;
- We have nearly doubled the number of employees to just under 200 employees. This is the very best talent that we are bringing in from all over world – a strongly diverse team, growing month-by-month, and whose experience and background help us evolve not only what we do, but how we do it;
- We have started work on our first dedicated facility primed for serial production of CONDOR and HAWK AIR terminals – a new production complex that, when completed, will have a production capacity in the triple-digit range per year. This will ensure that our production keeps pace with the demands we expect in the coming years.
- We have also leased a new state of the art 1,000 sqm office and lab space in Los Angeles, in the heart of the West Coast aerospace community to serve and support US customers from home turf and also to establish the industry's first-ever laser communication interoperability lab;
- We have brought on board one of the most well-known figures in the satellite communication business, Tina Ghataore, to ensure our international sales and business development efforts are well focused and laser-trained on winning and expanding the market for laser communication;

- We have begun work on next generation iterations of our key products following stringent in-house testing and feedback from launch customers.

The developments and traction that we ratcheted up through 2020, and the higher profile we are achieving in the market as a result of these successes, mean we have placed ourselves firmly on the radar of partners and other aerospace companies.

None of our successes would be possible without the astonishing efforts of a team that, I believe, is simply the best in the laser communication business. The impact of coronavirus, as I mentioned to you in our last report, has had a negligible effect on our product and business development. That is largely thanks to the flexibility and commitment of all Mynaric employees who have had to cope with national and regional restrictions due to the pandemic.

That we have not been blown off course by COVID and have, indeed, grown physically, commercially, and financially in this oddest and most challenging of years is testament to the sheer professionalism of the team I work with. And I thank them for their amazing efforts.

And, of course, myself, the senior management team beside me, and the Supervisory Board wish to thank you, dear shareholder, for your continued support and belief in what we are doing here at Mynaric. I hope the progress and high profiles wins of the last twelve months demonstrates to you that we are on a winning track and will not let up in our efforts to carry Mynaric forward to greater successes in the coming year.

We are taking huge strides towards increased growth as we see the market now expanding at a hell of a rate. So many factors – so many players – are pushing the market forward, and with it the industrial, large scale adoption of laser communication.

Mynaric is perfectly placed on the crest of this wave washing over, and transforming, the very nature of connectivity.

And now is our time to deliver.

Bulent Altan, CEO



HAWK AIR product manager Felix Geiger with one of the first customer units of the product



MANAGEMENT

**BULENT ALTAN**

Chief Executive Officer (CEO)

Bulent is the Chief Executive Officer of Mynaric. He divides his time equally between Munich and Los Angeles.

Bulent joined Mynaric in early 2019 to drive adoption of laser communication technology in the satellite industry and was, initially, responsible for overseeing Mynaric's space products and the company's US headquarters.

In July 2020, Bulent became CEO of Mynaric, and in this position he is pushing the company's product-orientated approach and business development along. Bulent has been responsible for introducing a product-focused mindset and approach at Mynaric as the company pivots from a prototype developer to a product manufacturer. As an employee at SpaceX from the outset, he gained valuable experience in more than eleven years at the company, serving in various posts, including

as Vice President. He is now using this wealth of experience at Mynaric, in order to introduce the company's laser communication products to the aerospace connectivity market and to make them well known.

Based on Bulent's extensive network and reputation in the industry, a further focus of his activity is establishing business with key customers in order to push widespread use of laser communication further on. Bulent is supported by the following senior managers.

**TINA GHATAORE**

Chief Commercial Officer (CCO)

In the United States, Tina serves as Chief Commercial Officer, having been appointed in August 2020.

An aerospace industry veteran with 20 years' experience in airborne and satellite communication and connectivity, Tina's career has taken in senior roles at Yahsat, Panasonic Avionics, and The Boeing Company. She has additionally helped shape connectivity strategies at Airbus and Thales, as well as at new space satellite start-ups.

Tina manages all customer-facing activities, ensuring the launch of our products in the various geographical and industrial target markets. She is also responsible for setting up our sites in the USA.

**STEFAN BERNDT-VON BÜLOW**

Chief Financial Officer (CFO)

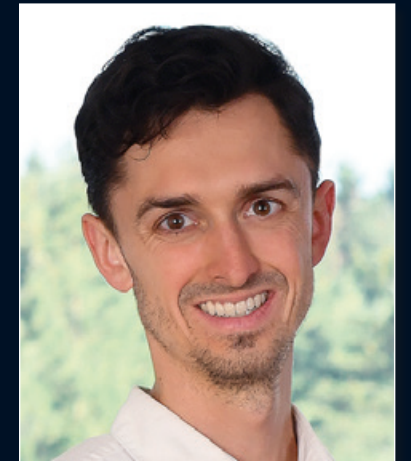
Boasting a 20-year background in auditing, tax consultancy, finance and accounting, as well as investor relations, Stefan accrued his experience at high profile German companies operating in the areas of currency technology and digital compliance and risk management. Stefan is responsible for Mynaric's capital structure, financial reporting obligations, and oversight of how and where Mynaric invests its funds.

**JOACHIM HORWATH**

Chief Technology Officer (CTO)

Being the founder of Mynaric, Joachim Horwath combines more than 20 years of experience in laser communications and has led the company's technical direction since its inception.

In addition to necessary technical control, Joachim and his team perform important pioneering work on future technologies to ensure Mynaric's leadership in industrializing laser communications in the years to come.

**SVEN MEYER-BRUNSWICK**

Chief Corp. Dev. & Communications Program Officer (C3PO)

Sven Meyer-Brunswick has a wide technical and business background and has been with the company since 2016, where he was responsible for growth financing, brand development and operations, among other things. His work has enabled the company to grow significantly in recent years from a small prototype manufacturer to an internationally respected production company.

Sven joined the management team in April 2020 and is responsible for corporate development, capital market activities and communications.

SUPERVISORY BOARD



Link Test Facility in Clean Room Environment

DR MANFRED KRISCHKE (Chairman of the Supervisory Board)

Dr Manfred Krischke gained his doctorate in aerospace engineering from the Technical University of Munich.

He is the co-founder and CEO of CloudEO and was the founder and CEO of RapidEye before its acquisition by Planet in 2015. In addition, Dr Krischke has worked in several technology companies in top positions during his professional career.

DR GERD GRUPPE

Dr Gerd Gruppe holds an engineering degree (Dipl.-Ing.) which he obtained from RWTH Aachen. In addition, in 1985 he completed his PhD on energy marketing at the University of Augsburg.

Since the end of the 1980s, Dr Gruppe was employed in various positions at the Bavarian Ministry of Economic Affairs and in this capacity he was involved in the development of the Galileo Control Centre, the Robotic and Mechatronic Centre – both at the DLR location in Oberpfaffenhofen – and the Development of the ESA Business Incubator and its predecessor organisations. Dr Gruppe was a member of the Executive Board of the German Aerospace Center (DLR) where he was the head of Space Administration between April 2011 and end of 2017.

DR THOMAS BILLETER

Dr Billeter holds an engineering degree and an MBA from the ETH Zurich as well as a PhD in economics from the University of Zurich.

He has also completed the Advanced Management Program of Harvard Business School. He started his career with IBM, Ascom and McKinsey and then took over several C-level positions in innovative technology companies. He is now a successful Investor and Business Angel and serves as a board member in a wide range of technology start-ups.

PETER MÜLLER-BRÜHL

Peter Müller-Brühl is the COO and member of the executive board of GreenCom Networks AG.

He has 10 years' experience as a serial entrepreneur in various technology start-ups as co-founder, angel investor and member of executive management teams.

Before his entrepreneurial career Peter held executive management positions in the publishing automotive industry, in his last corporate role acting as CIO/CTO Germany for DaimlerChrysler AG. He holds business degrees from Middlesex University in London and the European School of Business (ESB) in Reutlingen, as well as an MBA from Ottawa University.

THOMAS HANKE

Thomas Hanke is a business administration graduate and freelance M&A consultant.

Having studied business administration at the University of Würzburg, Thomas worked in various positions in the areas of small & mid cap private equity and venture capital between 2009 and 2019. After managing a venture capital fund for 3 years, he started his own business as a consultant for M&A and venture deals in early 2019.

Thomas has extensive transaction experience (private equity, venture capital, growth capital & PIPE transactions) and has, in addition to his work as an investor, also carried out various operational interim mandates within the scope of portfolio management. He holds advisory board mandates at a number of start-up and growth companies.

REPORT OF THE SUPERVISORY BOARD FOR FINANCIAL YEAR 2020

Dear Shareholders,

the Supervisory Board of Mynaric AG performed its supervisory and advisory duties in full as prescribed by law, the Articles of Incorporation and the internal rules of procedure at all times during the 2020 reporting year. In particular, the Supervisory Board advised the Executive Board on the management of the Company and supervised the actions of the management. The Supervisory Board was always included in all decisions of fundamental and strategic importance in a timely and appropriate manner. This was based on written and oral reports by the Management Board to the Supervisory Board. The Executive Board informed the Supervisory Board regularly, promptly and comprehensively about all important issues relating to current business developments, the earnings and financial position, corporate planning, the future strategic development of the company and changes in risk situations. Events of particular importance for the situation and development of the company or its subsidiaries were always discussed in a timely manner. All measures of the Executive Board that are subject to the approval of the Supervisory Board were examined, discussed and ruled upon. In the year under review, the cooperation between the Executive Board and the Supervisory Board was constructive and based on trust in all respects.

The work in the 2020 financial year was based on the meetings of the Supervisory Board and the verbal and written reports of the Executive Board. After detailed examination and discussion, the Supervisory Board voted on the reports and resolution proposals of the Executive Board to the extent required by law, the Articles of Association or the Rules of Procedure. In individual cases, the Supervisory Board also passed resolutions other than at meetings. In addition to the normal meetings, the Chair of the Supervisory Board maintained regular contact with the Management Board to stay informed about the current business situation as well as important events. Due to the manageable size of the Supervisory Board with five members, no committees were formed.

SUPERVISORY BOARD MEETINGS AND TOPICS OF DELIBERATION

In FY 2020, the Supervisory Board held a total of nine meetings, on 09 January, 09 April, 21 April, 23 July, 03 September, 11 September, 18 September, 16 October and 15. December, of which the meetings on 09 January, 23 July, 03 September, 11 September and 18 September were via teleconference. In addition, eleven resolutions were adopted in the year under review using the circulation procedure.

The topics of deliberation at the regular Supervisory Board meetings were product, incoming order, sales, earnings and employment trends as well as the financial position and liquidity situation of Mynaric AG and its subsidiaries.

In the teleconference of the Supervisory Board of **09 January 2020**, information of the Supervisory Board about the planned increase in capital by 10% ruling out the subscription right with placement in the USA was the subject. The Management Board also reported on the current state of liquidity, business development and sales activities. Further, the Supervisory Board voted on the date for the Annual General Meeting, 03 July 2020 being set as the date.

On **04 February 2020** the Supervisory Board approved the capital increase in a resolution via teleconference. Likewise, the Management Board's proposal with a view to the final volume and the placement price was approved.

On **18 February 2020**, the Supervisory Board agreed to an employment relationship subject to consent for Mynaric USA Inc. by way of a written circulation procedure.

A further resolution was passed in a circulation procedure on **23 March 2020**. In it, Sven Meyer-Brunswick was appointed Managing Director and spokesman of the overall management of Mynaric Lasercom GmbH as per 01 April 2020. Hubertus von Janecek was granted a joint limited commercial power of attorney for Mynaric Lasercom GmbH after he had previously resigned from his post as Managing Director of the company. In addition, the Management Board's proposal with a view to the allocation of share options was approved. Finally, the Supervisory Board was informed about the set-up of a preventive Corona response team.

On **09. April 2020**, the medium-term succession options for a member of the Management Board were discussed in a teleconference of the Supervisory Board.

The subject of the Supervisory Board meeting on **21 April 2020** was the business development of the past 2019 financial year, the consolidated financial statements 2019 and the financial statements of the individual Company. The Supervisory Board accepted the results of the audit and approved the financial statements as well as the consolidated financial statements.

Other topics discussed at this Supervisory Board meeting included the Executive Board reports on current market and business developments as well as on current liquidity developments. The choice of auditor, the reissue of a stock option plan and a new level of authorized capital were also discussed. In addition, the authorization for the issue of convertible bonds and an adaptation of the conditional capital within the framework of the share option program were discussed.

REPORT OF THE SUPERVISORY BOARD FOR FINANCIAL YEAR 2020

SUPERVISORY BOARD MEETINGS AND TOPICS OF DELIBERATION

Over and above the recurring topics, the Management Board informed the Supervisory Board about the resolution to concentrate sales activities on certain regions in future. A concept of monetarization was presented for the affected regions. The Supervisory Board approved the further evaluation of this project. The Supervisory Board also approved the new draft budget and contribution of EUR 7 million to the capital reserve of Mynaric Lasercom GmbH pursuant to Section 272 (2) (4) of the German Commercial Code (HGB).

On **19 May 2020** the Supervisory Board approved renting of premises in Los Angeles, California, USA, for the further build-up of capacities in a circulatory resolution.

Also in a circulatory resolution, the Supervisory Board granted the Management Board approval on **23 June 2020** for starting negotiations with a candidate for the management of Mynaric USA Inc.. In addition, allocation of share options to selected employees was approved.

In a further circulatory resolution on **15 July 2020** Sven Meyer-Brunswick and Joachim Horwath were granted a joint limited commercial power of attorney for Mynaric AG and Bulent Altan a joint limited commercial power of attorney for Mynaric Lasercom GmbH as part of the departure of Hubertus von Janecek from the Management Board of Mynaric AG and the loss of the power of attorney for Mynaric Lasercom GmbH connected with this. In addition, the Supervisory Board approved a change of the representation regulation planned by the Management Board.

At a meeting of the Supervisory Board held as a teleconference on **23 July 2020** the Management Board informed the Supervisory Board about the status of the possible monetarization of the China business. The Supervisory Board was also informed about the next capital measures, but also about alternative capital procurement in the form of a loan and also a convertible bond. The Supervisory Board approved both forms of financing. In order to take the further development of the company's capacities into due account, the Management Board also explained the necessity of a new production building and also presented a building which could be considered. The Supervisory Board approved the procedure.

At a teleconference on **03 August 2020**, the Supervisory Board followed the proposal by the Management Board and resolved to issue a convertible loan with a total par value of up to EUR 5,000,000.00, divided into up to 50 equally entitled bearer part bonds with a par value of up to EUR 100,000.00 each, excluding the subscription rights of the company's shareholders. In addition, the Supervisory Board also approved the terms and conditions of the convertible bonds as presented and the terms and conditions of the convertible loan.

On **03. September 2020** a digital meeting of the Supervisory Board was held, at which the premature ending of the employment agreements of the departing members of the Management Board and the future occupancy of the Management Board were discussed.

At the teleconference meeting of the Supervisory Board on **11 September 2020** the resolution to leave the Chinese market and the developments decisive for this were discussed, evaluated and the further procedure coordinated. After that, the Supervisory Board approved the share option package for Hubertus von Janecek and approved the appointment of Stefan Berndt-von Bülow as member of the Management Board, Finances and Administration.

On **18. September 2020** the Supervisory Board resolved in a teleconference to appoint Stefan Berndt-von Bülow as a member of the Management Board with immediate effect until 30 September 2023.

In a resolution passed in circulatory procedure on **30 September 2020** the Supervisory Board approved the negotiation of share options to top performers and the Management Board in September 2020 as proposed by the Management Board. In addition, the Chairman of the Management Board Bulent Altan was appointed Managing Director of Mynaric Systems by the Supervisory Board as per 01 October 2020.

At the Supervisory Board meeting on **16 October 2020** the Management Board reported on the company's current situation and on the planned personnel and enterprise development program. Likewise, the new President of Mynaric USA Inc., Tina Ghataore, introduced herself personally, and an overview of the ongoing sales activities was provided. In addition, there was a report on the IT infrastructure development. The Management Board also presented the current financial situation.

In addition, the closure of the business relations in China was explained by the Management Board.

The Management Board reported to the Supervisory Board about the forthcoming increase in capital with Mynaric AG. After that, the Supervisory Board approved an increase in capital into the capital reserves of Mynaric Lasercom GmbH to the amount of EUR 15 million pursuant to § 272 subsection 2 no. 4 German Commercial Code. Also, the Supervisory Board approved activity on the Supervisory Board for the member of the Management Board Stefan Berndt-von Bülow and an adaptation of the code of procedure with a view to transactions requiring approval.

REPORT OF THE SUPERVISORY BOARD
FOR FINANCIAL YEAR 2020

SUPERVISORY BOARD
MEETINGS AND TOPICS
OF DELIBERATION

By means of a resolution passed in circulatory procedure, the Supervisory Board stipulated on **10 November 2020** that the essential business purpose of Mynaric Systems GmbH no longer existed as a result of the individual intervention by the Federal Ministry of Economics of 23 July 2020 and the relinquishment of the business activities in China, inter alia connected with this, and that therefore closure is to take place as per 31 December 2020. The Supervisory Board instructed the Management Board to arrange for all the steps necessary for this. To carry out the activities necessary in this regard, the Supervisory Board additionally appointed the member of the Management Board Stefan Berndt-von Bülow as holder of a limited commercial power of attorney entitled to represent alone for Mynaric Systems GmbH with effect from 09 November 2020.

In a circulatory procedure on **27 November 2020** the Supervisory Board resolved extension of the variable remuneration for the Management Board by a further target variable.

At the meeting of the Supervisory Board held on **15 December 2020** the Management Board reported to start with on the development of the enterprise and the ongoing strategic and operative projects as well as the sales activities. Likewise, the budget planning for 2021 was presented by the Management Board and an adaptation of the salary structure discussed. Both were then resolved by the Supervisory Board. In addition, the Supervisory Board resolved payment of an amount of EUR 12 million into the capital reserve of Mynaric Lasercom GmbH and an increase in capital of EUR 2.5 million into the capital reserve of Mynaric Systems GmbH. Finally, the Supervisory Board approved the negotiation of share options to selected employees, thus following the proposal by the Management Board.

On **18 December 2020** the Supervisory Board approved the 2021 group budget proposed by the Management Board in a circulatory procedure.

PERSONNEL CHANGES

At the Annual General Meeting on 12 June 2020, Thomas Mayrhofer, attorney-at-law, Munich, resigned from his position on the Supervisory Board and Thomas Hanke, Diplom-Kaufmann, Hamburg, was elected to the Supervisory Board for the term set forth in the Articles of Incorporation.

CORPORATE
GOVERNANCE

The Supervisory Board was completely represented at eight of the eleven meetings. One member of the Supervisory Board was absent ill at the meetings of the Supervisory Board on 09 April 2020 and on 21 April 2020. On 15 December 2020, one member of the Supervisory Board only attended by phone some of the time.

CORPORATE
GOVERNANCE

The Management Board was represented at all meetings of the Supervisory Board apart from 09 April 2020 and 11 September 2020, at the meeting on 19 September a member of the Management Board participated by phone.

In the year under review, no conflicts of interest concerning the members of the Supervisory Board arose in connection with their activities as members of the Supervisory Board of the Mynaric AG.

AUDIT OF THE ANNUAL
FINANCIAL STATEMENTS
AND THE CONSOLIDATED
FINANCIAL STATEMENTS

The Company's auditor, RSM GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the 2020 financial statement prepared by the Management Board and issued an unqualified audit certificate. The Supervisory Board received the financial statement documents and the auditor's report in good time and discussed them in detail.

The Supervisory Board independently examined the Company's 2020 financial statement prepared by the Management Board in accordance with the law. The Supervisory Board approved the results of the audit and raised no objections based on the final result of its own examination. As a result, the Supervisory Board approved the annual financial statements for the 2020 financial year on 31 March 2021 in a circulatory procedure. The annual financial statements are therefore approved in accordance with § 172 sentence 1 of the Stock Corporation Act. The 2019 consolidated financial statements were thereby accepted.

THANKS

The Supervisory Board thanks the Executive Board and all employees for their high level of commitment and successful work in the past financial year. Specific gratitude of the Supervisory Board goes to the departing members of the Management Board, Dr. Wolfram Peschko and Mr. Hubertus von Janecek, for their activity as members of the Management Board. The Supervisory Board would like to thank the shareholders for their interest in our company and for the trust they have placed in us.

Gilching, March 2021

For the Supervisory Board

Dr. Manfred Krischke
Chairman of the Supervisory Board

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A vision and mission to underpin value and quality

OUR VISION

Mynaric's vision is elimination of connectivity barriers. We believe that people and machines, today and in the future, everywhere in the world and even beyond need secure and ubiquitous access to broadband communications. Remote industrial sites, isolated villages, vessels in the middle oceans, passenger airplanes, high flying drones, satellites – all need to be securely interconnected.

OUR MISSION

Mynaric's mission is to enable omnipresent and globally available communication through the development of cost-efficient laser communication solutions for networks in the air and in space. We will do this by enabling communication service providers, and other enterprises and organizations, to provide global communication services through the set-up of airborne and space communication networks.

OUR VALUE PROPOSITIONS

Mynaric's three value propositions are centered around our products and their ease of use and large-scale use: all of which will drive the industrial adoption of laser communication.

1. Standardized and modularized products at a price tag that allows for large-volume deployment

Product-centricity is a key pillar of our strategy. Wide scale adoption of laser communication is, in our view, dependent on the establishment of industrialized products and related supply chains. Therefore, we focus on standardized and modularized products suitable for a wide array of customers and applications. This is fundamentally different from the classical aerospace approach of developing bespoke systems for individual customers.

Our products are designed to be utilized in applications requiring hundreds, thousands and eventually tens of thousands of units and are economically priced to allow deployment at such scale. Every product is, therefore, designed from scratch for volume manufacturing unlocking substantial opportunities for economies of scale.

2. Industry-leading ease of use and simplified integration of Mynaric's products with out-of-the box usability and flawless functionality

We believe that the market volume for laser communication, and our specific share of that market, will be dependent on how easily customers can unlock the value of laser communication.

As a result, we want to simplify the commissioning and utilization of our products as much as possible to create customer value from day one, and subsequently drive faster adoption of our products. This means that we continuously expand our product documentation to enable customers to help themselves as much as possible whilst also offering tailored support

OUR VALUE PROPOSITIONS

services to the customer if required. Our international presence helps us to provide customers with local capabilities where needed.

3. Disrupting established and enabling new markets through Mynaric's products

We recognize that laser communication is a relatively new technology which is in the early stage of its technology life cycle. Our approach to this novelty is to actively shape the market for laser communication rather than passively react to market developments. The twofold benefit of this is that we, firstly, create value through our products in established markets currently served by competing technologies and, secondly, we create value by enabling entirely new markets through our products.

Our unshakeable belief in the existence of this large-scale market for aerospace laser communication in the future is an important guideline for our decisions governing the operation and the further development of the company.

OUR ABSOLUTE COMMITMENT TO QUALITY

Mynaric always endeavors to simplify the use of our products even further. Our priority is to optimize functionality, cost, and availability of our products simultaneously, and to never stop enhancing our processes and procedures. Consequently, we define quality as the perfect balance between the reliable functionality, cost-efficiency and availability of our products and to fully meet these quality standards, we have introduced an ISO 9001:2015 based quality management system.

Mynaric's employees, partners and suppliers are the guarantors of our success and we consider them crucial for fulfilling and continuously improving our quality standards which are:

- Putting functionality at the center of our work. Our products shall function as defined us and as promised to - and as expected by - our customers. Our products will not include unnecessary functions negatively impacting cost or availability.
- Committing to cost-efficiency. We aim to push the price of our products to their absolute minimum and aims for cost savings of several magnitudes. This cost-efficiency is not intended to lower our revenues but rather act as a catalyst to enable our customers to deploy their systems - and with them our products - at scale, creating the thriving aerospace communications ecosystem that we want to enable.
- Rapid availability of our products as a matter of course. Only a product that can be delivered in the quantities - and in a timely fashion - to our customers is considered to be a good one. We strive to always look for



Company history and milestones

OUR ABSOLUTE COMMITMENT TO QUALITY

opportunities to optimize the manufacturability of our products as well as the processes that build them.

We put these standards above all else because customer satisfaction is seen as the benchmark of our quality, and all three standards are considered just as critically important to the success of our customers.

1999 RESEARCH

Theory of atmospheric transmission and early prototypes

2009 FOUNDATION

Mynaric is established by former employees of the German Aero-space Center (DLR) with the goal of commercializing decades' worth of experience of wireless laser communication for aerospace applications.

2012 VALIDATION PHASE

Working with customers on demonstrations of air-to-ground and air-to-air scenarios to achieve product-level maturity for airborne applications and expand market reach.

PROTOTYPING

Prototype development for customers;
World record 1 Gbps with Airbus;
World record 10 Gbps with Facebook

2016 INTERNATIONALIZATION

Expanding into North America by establishing an office there to establish greater visibility in this key market and to serve customers in the USA and Canada.

2017 IPO

Mynaric continues on its growth path with a flotation on the German Stock Exchange to raise growth capital to enter serial production.

2019 LEADERSHIP

Bulent Altan, a former SpaceX Vice-President, joins Mynaric's management board to lead on the company's space business.

EXPANSION

Relocation into a new purpose-built 4,500m² building, with dedicated production facilities and increased laboratory and clean room premises.

Mynaric USA relocates to Los Angeles to be physically closer to key US customers. Mynaric USA's move also initiates an expansion plan for the key North American market which includes electronics and software sourced solely from within the US.

2020 PRODUCT MATURITY

First units of CONDOR and HAWK AIR flight terminals become available to commercial customers.

US ACTIVITIES

Tina Ghataore joins as Chief Commercial Officer as the transatlantic branch opens new and expanded facilities to oversee development of electronics and software sourced solely from within the US.

Mynaric wins its first US Government contracts. Multiple units of the company's CONDOR inter-satellite link terminal will be delivered under two contracts with US defense agencies.

Growing during the pandemic



Construction of the second extended production site



Continuation of flight tests



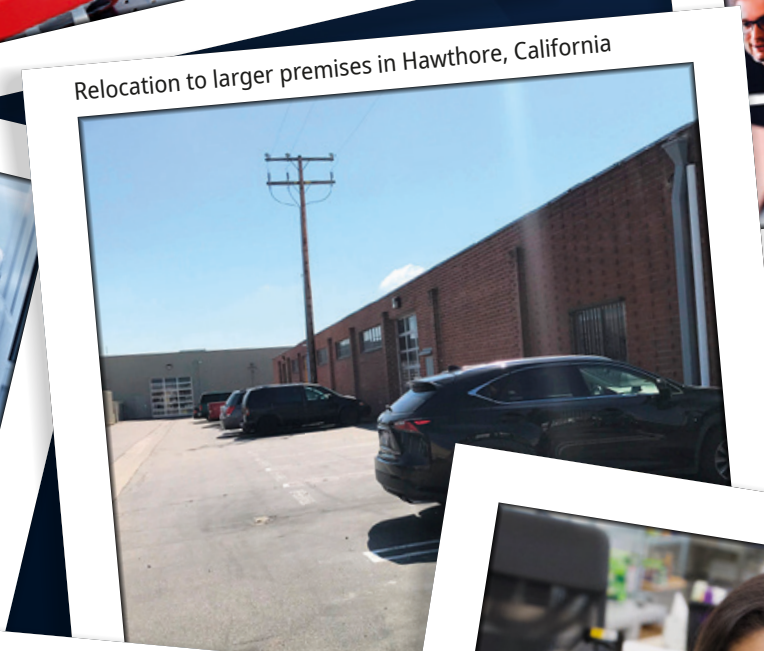
Expansion of the clean room areas



Adaptation of IT to COVID compliant communication



Completion of new test facilities



Relocation to larger premises in Hawthorne, California



Expanded laboratory areas



Expansion of the final assembly line



HAWK terminals in shipment



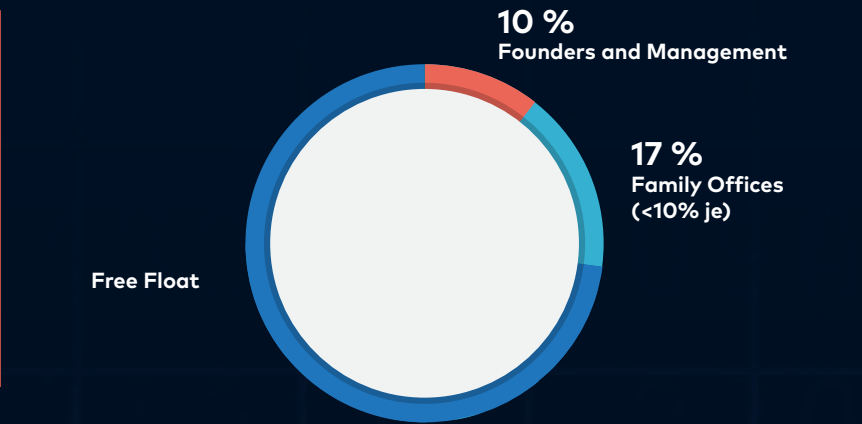
Takeover of the US activities by Tina Ghataore

The Mynaric Share

BASIC INFORMATION ABOUT THE MYNARIC SHARE

Stock Exchange	Open Market (Scale) at Frankfurt Stock Exchange
ISIN	DE000A0JCY11
Outstanding Shares	4,092,948 bearer shares

SHAREHOLDER DISTRIBUTION



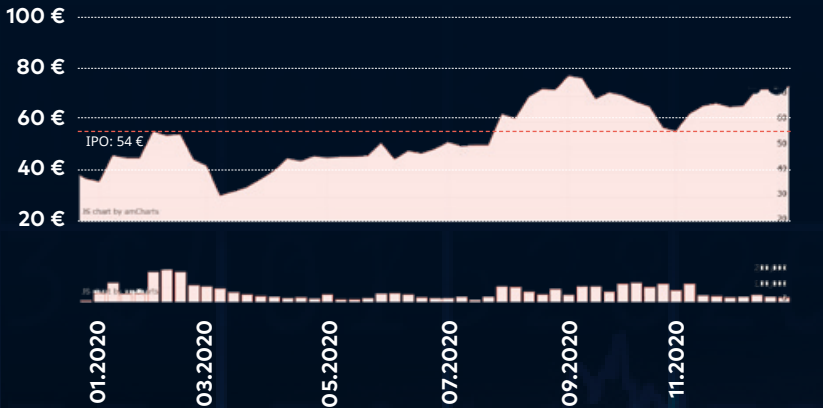
The shown distribution represents an approximation based on various data points and does not necessarily illustrate the actual share distribution as of the day of publication of this report.

The former members of the management Markus Knappek and Wolfram Peschko are listed under free float due to omitted reporting obligations.

RESEARCH COVERAGE

Edison	Price target (None)
MainFirst	Price target: € 100 (buy)
Hauck & Aufhäuser	Price target: € 120 (buy)
Kepler Cheuvreux	Price target: € 95 (buy)

SHAREPRICE EVOLUTION 1 JAN - 31 DEC 2020



Preparing for the Industrial Age of Laser Communication

The history books will no doubt mark down 2020 as the year of coronavirus but, beyond the pandemic, the year has most importantly for our market witnessed the dawn of the industrial age of laser communication.

Laser communication has, in the last 12 months, placed itself at the top of the agenda of not only the multinational commercial aerospace players building out constellations in low Earth orbit (LEO) but also the top of government and political agendas. We have seen the technology become an increasingly important strategic concern to all the key movers fueling the new space race taking place.

Commercial activity has increased at such a pace that we can already see broadband from LEO now in operation over certain regions, with SpaceX starting beta phase of its Starlink broadband constellation. The geopolitical dimensions of this new space race were also keenly felt this year with space clearly becoming a contested domain. The United Kingdom Government – along with Bharti Global – have bought OneWeb, Telesat gained considerable political and financial support from the Canadian Government, and, in the United States, both DARPA and the Space Development Agency have moved at astonishing speeds to commission and procure spaceborne communication networks to ensure primacy in orbit and counter Chinese and Russian developments. Mynaric reacted to these political

concerns immediately when it firmly committed to serving the security interests of core markets in July.

These general market developments also turned the tide for laser communication, specifically thanks to governmental players – especially in the US – who have committed to deployment of laser communication in orbit at scale. It is to be noted that the number of laser communication terminals procured by the SDA in 2020 alone exceeds the total number of terminals ordered in the entire industry in the previous 30 years.

Mynaric has benefitted greatly from the developments above and this is demonstrated in the customer traction we have generated in the last 12 months.

In this last year we have well and truly cemented our position in the market with two contract awards as part of two US governmental programs for our CONDOR space terminal. We have also commenced an extensive demonstration campaign of our HAWK AIR laser communication terminal with an important customer. The impact of COVID-19 on us has been negligible: there has been absolutely no change in customer demand and we have experienced only very modest impacts on our supply chain.

This guarantees that we are still in a position to drive the serial production of laser communication terminals for the aerospace

industry. And in producing pre-production units of these industrialized laser communication products, we have learnt not only from our own stringent in-house testing and validation but also from our launch customers how to refine, improve and constantly evolve a final product primed for its eventual use.

Starting to execute what we have prepared for

Looking ahead to 2021, this is the year that we execute what we have been preparing for. With all the prerequisites in place, it is now down to business as the whole market moves into higher gear going forward.

Our first CONDOR customers will receive their units in the first half of 2021 and we will continue working with our lead customers in the airborne segment on defining the deployment roadmap for laser communication's large-scale use aboard unmanned aerial vehicles.

Our business development endeavors will naturally be focused on working hard to become integral parts of the 'lighthouse' networks which the larger commercial and government players are in the process of setting up and which are attracting great interest from the media.

Alongside these very eye-grabbing projects, we are already seeing very healthy and growing demand from additional projects which are less in the limelight of the media but which we expect to materialize as the year progresses. Our production aims for 2021 are simple – we will use next year to be capable of achieving triple digit output capacity of our products per year. In 2020 we have established the basis for making 2021's production ambitions feasible and it is on the back of what we have learned and implemented during this year that enables us to up the production of our terminals, which

now gives us a decisive competitive benefit.

Our products will also mature during 2021 and we will work at top speed on improving the first versions of both airborne and spaceborne terminals following customer feedback which is collected and passed on to us following their validation campaigns. Key to our success in 2021 will be that Mynaric turns its focus outwards having through necessity spent so long facing inwards as we implement our key products' entry into the market. Now we are ready, we will undertake this significant shift wholesale to devote our efforts into more business development activity and growing out teams on both sides of the Atlantic.

With the considerable successes of 2020 now behind us, we eagerly face 2021 perfectly placed in a unique position ready to move the industrial age of laser communication forward.

3 Market Insights

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The unfolding new space race and the importance of the government sector

Below is a round-up of the main developments in the aerospace connectivity market since our last report to you.

What can be ascertained from the below is two distinct developments that demonstrate a market well and truly coming into its own and being driven by dynamic actors in both the commercial and government sectors.

In the commercial sector, SpaceX – as always – drives progress. Now having just under 1,000 satellites in low Earth orbit, the company has begun charging for beta services in the Midwest of the United States: an area notoriously underserved by high speed broadband internet (indeed, one of the news items below places that proportion of the American rural population without broadband connection at 40%). That the company can start charging for services less than a year after what was only its second substantive launch of satellites shows the pace at which developments are occurring.

There is also good news to report from OneWeb and Telesat – two other key players in the commercial arena. OneWeb came out of bankruptcy thanks to a partnership between the UK Government and India's Bharti Global and there were key wins for Telesat from the US government as well as the news that the company is to go public to sufficiently fund its laser-linked constellation of 292 satellites.

The other noticeable development – indeed, possibly the most newsworthy development – is the activity at the government level, particularly the United States Government level. Possibly smarting from criticism that it has been too slow to address the threat from China and Russia in space, the relatively-newly-established Space Development Agency, which has been matched in its ambition from the much longer established DARPA, have both moved at astonishing speeds to commission and procure constellations to reassert American primacy in low Earth orbit.

Gone are the days of years long procurement processes delivering one-off, high-cost items. The SDA and DARPA typify the new approach from government which requests offers from the commercial sector and decides virtually within weeks to adopt and exploit what the commercial market has to offer. The impetus this is giving to the market from prime down to supplier is enormous and it is permeating every level of the supply chain in the aerospace connectivity arena and driving adoption of laser communication as well as other new technologies.

The UK Government and Bharti Global announce that they will each invest \$500m in the bankrupted OneWeb satellite constellation, forming a consortium to run the network with an additional \$50m investment from Hughes Network Systems.

JULY 2020

An update carried in Space News on the Defense Advanced Research Projects Agency's Blackjack program – a DARPA-sponsored program to "develop and demonstrate the critical elements for a global high-speed network in low Earth orbit" – states that Blue Canyon Technologies is producing four satellite buses for the program. In April, Lockheed Martin won an award from DARPA to provide the satellite integration. Up to 15 vendors are currently helping Blackjack to incorporate commercial sector advances in LEO.

The effects of the coronavirus pandemic forces Global Eagle Entertainment, a provider of satellite Wi-Fi and media services to aircraft, boats and remote locations, to apply for Chapter 11 bankruptcy protection as a result of airline and cruise line customers reducing or stopping operations. Global Eagle's demise may well signal additional business potential for LEO constellations that can provide the connectivity to remote customers previously served by the company.

AUGUST 2020

Two further launches of Starlink satellites – 57, then 58 – bring the current size of the Starlink constellation to 653. In an article carried in Space News, Hughes Network Systems states that it believes:

“... it has a chance at winning some of the \$20.4 billion in rural broadband subsidies the U.S. Federal Communications Commission is preparing to spend, thanks to the company's recent investment in megaconstellation startup OneWeb”.

Hughes Network Systems, August 2020

The article goes on to explain that “the FCC will evaluate satellite internet alongside fiber and other broadband delivery methods in October for Rural Digital Opportunity Fund (RDOF) subsidies meant to finance infrastructure to connect millions of homes and small businesses across the country. The program favors lag-free, high capacity services, a preference that has led satellite operators to offer low-Earth-orbit (LEO) connections in their efforts to win funding.”

The Federal Communications Commission approves Amazon's plans for its Kuiper constellation of 3,236 satellites. The FCC states that the company must launch half of the constellation by 2026 to retain its FCC license, and then the remaining satellites by 2029. The program, which Amazon is

MARKET REVIEW 2020

AUGUST 2020

investing more than \$10bn in, is still in the system design stage with no movement yet on procurement.

It is reported that the first results of closed beta testing of SpaceX's Starlink mega-constellation system demonstrate the constellation's ability to deliver low latency, broadband-speed connectivity. Residents of the northern United States and southern Canada, including many rural and cut-off areas, were eligible to test the system and initial results show some users experiencing a latency of just 21ms. Specialist website, Bandwidth Place, states:

"A ping value of 20ms or less means you have an excellent latency rate".

Bandwidth Place, August 2020

The United States Space Development Agency announced, at the very end of August, which primes had won contracts to work on the Agency's "Transport Layer Tranche 0" – an ultra-secure LEO constellation providing backbone to a planned US Government communication network in space. Lockheed Martin and York Space Systems were the successful bidders with the award from the SDA also detailing where support work under the separate bids would take place.

SEPTEMBER 2020

Unnamed sources reported in several news outlets report that satellite equipment provider Telesat aiming to launch nearly 300 low-Earth-orbit satellites by the end of 2023 – is reportedly set to go public next year.

SpaceX and Tesla-focused news site Teslarati reports that Starlink 'space lasers' have been successfully tested in orbit for the first time. They state "Prior to SpaceX's September 3rd announcement, it was assumed that none of those satellites included laser interlinks, but now we know that two spacecraft – presumably launched as part of Starlink-9 or -10 in August – have successfully tested prototype lasers in orbit."

A launch in early-September takes Space's Starlink constellation to 713 satellites. But of more interest to the aerospace connectivity community is the news that initial testing of the constellation "demonstrated download speeds above 100 megabits per second, and "super low latency".

Space News reports that a "program integration council" run by the Space and Missile Systems Center will include representatives from DoD space-buying agencies and the National Reconnaissance Office. The article states:

SEPTEMBER 2020

"Each of these agencies procures space systems but their projects in the past have not always been coordinated with what other agencies are doing. Bythewood said the integration council will seek to ensure that programs, for example, use common standards so satellites are compatible with the ground infrastructure and can share data with other military systems."

Space News , September 2020

OKTOBER 2020

The US Space Development Agency announces that two companies have won bids to build out Tranche 0 of the tracking layer for the National Defense Space Architecture in contracts amounting to more than \$342 million. Both L3Harris Technologies and SpaceX were successful in their bids to participate in the NDSA.

The United States Bankruptcy Court for the Southern District of New York confirms OneWeb's Chapter 11 plan of reorganization, ensuring that the company remains on target to resume full business operations. The Plan details a strong operational foundation for the company to deploy the initial 650 LEO satellite constellation under the new ownership of the UK Government and Bharti Global Limited.

Telesat announces that it has won a DARPA contract for the agency's Blackjack Track B Research, Development and in-Orbit Demonstration. As part of Phase 2, Telesat U.S. Services will deliver two spacecraft buses to DARPA in less than one year for a "risk reduction" flight to test OISL communications with government payloads in orbit and to demonstrate OISL interoperability with different hardware.

SoftBank's HAPSMobile and Alphabet's Loon announce they have successfully tested their jointly developed communications payload in the stratosphere on HAPSMobile's "Sunglider," a solar-powered unmanned aircraft system (UAS).

SpaceIntelReport reports that Europe's space industry association, ASD-Eurospace, has urged the European Commission to "field a constellation of broadband satellites in low Earth orbit to be owned by the commission and designed for civil, military and commercial use".

The article explains that the "constellation would fulfill some of the roles envisioned by the commission's Quantum Communications Infrastructure and GovSatCom programs in addition to assuring broadband access to all EU citizens".

MARKET REVIEW 2020

OKTOBER 2020

The Register reports that SpaceX has set its initial costs for broadband from Starlink in areas of the rural and underserved United States. "SpaceX's satellite broadband service Starlink has finally revealed its pricing: \$99 a month for speeds that vary between 50Mbps and 150Mbps... plus 500 bucks to buy the necessary equipment." The Register notes that "In roughly 40 per cent of rural America, there is no broadband connection by modern standards: something that has become of ever greater importance, especially in political circles, during the current pandemic where millions of people are more reliant on internet connections than ever before."

NOVEMBER 2020

Following the US presidential election in early-November, Space News quotes a post-poll briefing from aerospace and defense-related consulting firm Velow which states:

"[The election result] does not portend any immediate abrupt changes to U.S. national security or civil space programs. Space continues to be a bipartisan policy area and Joe Biden's campaign has articulated their belief in the importance of the domain."

Space News, November 2020

Telesat announces that it has entered into an agreement with Loral Space & Communications Inc. to become a new publicly traded Canadian incorporated and controlled company. It states that shares of Telesat will be listed on the Nasdaq Global Select Market at the closing of the transaction, the market on which Loral is currently listed. Telesat says it is also considering a listing on a Canadian stock exchange in connection with the closing of the transaction in 2021.

SpaceX's latest batch of Starlink satellites pushes the total number launched to date to 955.

DECEMBER 2020

SpaceX is awarded a \$885.5 million share of the \$9.2 billion in broadband subsidies from the FCC's Rural Digital Opportunity Fund (RDOF).

JANUARY 2021

The European Commission states that it wants its newly-proposed satellite mega-constellation to be "offering some sort of initial service" in 2024. According to a report carried by the BC, the first priority of the EU's constellation will be to fill in gaps in broadband coverage where ground infrastructure cannot reach, but later it will power services such as self-driving cars.

It is reported that SpaceX's Starlink constellation has begun sending out beta invites to selected trial applicants in the United Kingdom, joining a limited commercial service and a growing number of people in the USA and Canada who are already using the beta service.

JANUARY 2021

Amazon reveals the design of the antennas its customers will use in conjunction with the company's upcoming satellite constellation, Project Kuiper. The antenna, which will provide broadband internet coverage from space, will allow or "maximum throughput of up to 400 Mbps."

In late-January, SpaceX CEO Elon Musk tweeted that 10 satellites launched into Polar orbit by the company and forming part the Starlink constellation contained optical inter-satellite links. In response to tweet, Musk replied "These also have laser links between the satellites, so no ground stations are needed over the poles".

FEBRUARY 2021

Canadian satellite operator Telesat announces that space hardware manufacturer Thales Alenia Space will build its next-generation broadband satellite network, to be called 'Lightspeed'. The company's press release confirms that Lightspeed will become the first fully-laser communication linked constellation: "Nearly 1,200 high capacity optical links – four on each satellite – [will] combine to create a first-ever, highly resilient, flexible and secure space-based IP network, moving data across the network and around the world at the speed of light."

SpaceX launches 60 Starlink satellites on 4 February followed by another 60 just 2 days later in a launch marred by the failure of one of the rocket boosters to return to its landing pad. The company now has just under 1,100 satellites in orbit.

Space News reports that the deputy commander of U.S. Space Command, Lt. Gen. John Shaw, used a Space Foundation online event to explain that he expects new policy guidance from the current administration will continue on a similar course to the national security space policy guidance issued under the previous administration.

MARCH 2021

Reports state that the director of the US Space Development Agency, Derek Tournear, has announced that the agency is aiming to procure up to 150 more satellites this year, to be launched into space in late 2024 as the so-called "Transport layer Tranche 1". The first 28 satellites - known as "Tranche 0" - will be delivered by Lockheed Martin and York Space Systems (20 transport layer satellites) and L3Harris and SpaceX (8 tracking layer satellites) and are scheduled to launch into space by the end of 2022. OneWeb confirms the successful second launch - under its new owners - of 36 satellites by Arianespace from the Vostochny Cosmodrome. The total in-orbit constellation numbers 146 satellites.

SpaceX achieves four launches of Starlink satellites in a single month - with 60 batches of satellites for the constellation being launched separately on the 4th, 11th, 14th and 24th March. The constellation now comprises 1,385 satellites.

MARKET PROJECTIONS

Space will continue to receive growing attention as it becomes increasingly contested

The entry into the aerospace connectivity arena of new US government players has brought both a new urgency and a refocusing on the role space can play in delivering strategic geopolitical and defense supremacy.

As memories of the 20th century's Cold War between East and West dim so has a new Cold War, in space, emerged. And it is fueling a new Space Race. A very perceptive leader in The Economist in November set out the fundamental differences of this new Cold War. Whereas ideology and nuclear arsenals typified the battlegrounds of the 20th century's cold war, the West (and when we say 'West' we mean, of course, the United States primarily) is now under threat from a Russian and, predominantly, Chinese onslaught in the area of information technology. Data, AI, quantum computing, mobile networks. All are 'up for grabs' as the 21st century solidifies around one of the key planks underpinning its economies, politics and national security: data and its transmission.

And the battlefield on which this pseudo war will be waged can be found in low Earth orbit.

It is in pursuit of the Space Development Agency's own motto –

"Semper Citius" ("always faster") – that technologies that offer strategic advantage are being pushed, promoted, procured and adopted by the US government. If speed is the ultimate advantage over your enemy in space why then would you opt for a technology that lags behind new alternatives? It is this desire for strategic primacy through speed that has seen both the SDA and DARPA move so quickly to equip their planned spaceborne networks with laser communication.

The coming year will see launches of both of these networks as the US aims to re-assert its pre-eminence in space.

With a change of US President, there were concerns towards the end of last year that the incoming administration would not maintain the previous administration's policy of viewing space as an area of key strategic importance. However, early signs clearly point to no change of priority with regard to either focus or financing. The view is that there will be continued support for orbital commercial activity.

Speaking with Defense News just prior to his election, Joe Biden explained that – if elected – he wanted a shift away from "legacy systems that won't be relevant" to

"smart investments in technologies and innovations – including in cyber, space, unmanned systems and artificial intelligence."

"Satellite broadband is a dynamic, multi-dimensional market..."

Larry Press of Circle ID, January 2021

Turning to the commercial sphere in 2021, SpaceX – which now has beta testing of its Starlink broadband constellation ongoing in four nations – will continue the rollout of a rudimentary service as it works on its ground station networks in North America, Australia, France and New Zealand. These developments will run in tandem with a projected launch manifest that will undoubtedly show no let up in number or frequency.

And the coming year will also see SpaceX's closest competitors ramp up activity. Canadian constellation builder Telesat, now that it has selected its prime to start manufacturing its constellation, will work towards having at least 10% of its 298-satellite system in orbit by February 2023, as required by the International Telecommunication Union.

The company will also hear back from the Federal Communications Commission later this year on

its application to launch a constellation second phase total of 1,373 satellites.

OneWeb has emerged from its Chapter 11 bankruptcy in rude health and will follow up its resumed launch manifest (a further 72 satellites have been deployed in December 2020 and March 2021) with further launches this year to have its full constellation in orbit by the end of 2022. The joint UK-Indian company now boasts a total in-orbit constellation of 110 satellites.

There will also be considerable developments in the airborne segment in 2021.

The HAPS Alliance – a group of companies whose founding members include Airbus and HAPSMobile – is expected to continue on its path to building out a fleet of "floating cell towers" that operate in the stratosphere. The Alliance's SunGlider UAV, an autonomous fixed-wing aircraft that runs on solar panels and batteries, will, according to a recent article in Engineering magazine, "contribute to high-resolution earth observation, weather prediction and atmospheric modeling. HAPS (e.g. the SunGlider) can also enable the deployment of Internet of Things (IoT) devices to remote regions and disaster areas".

It is also expected that the Japanese telecommunications conglomerate SoftBank will begin work on commercializing "airborne base stations" with test flights mooted to take place this year in Japan. The unmanned aircraft will fly in the stratosphere at altitudes of 20 km to provide global mobile communication services.



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MANAGEMENT REPORT FOR FISCAL YEAR 2020

I. GENERAL INFORMATION

The Mynaric Group (Mynaric for short) consists of the parent company and three subsidiaries. The address of the Mynaric AG headquarters is Dornierstrasse 19, 82205 Gilching, Germany. The Company's commercial register record number is HRB 232763, kept by Munich District Court. The Company's shares are listed in the Scale segment of the Open Market of the Frankfurt Stock Exchange. The objective of the Company is to engage in the development, manufacture, sale and operation of communication network equipment, software, systems and solutions, in the holding and management of equity investments in other companies active in these areas and in the provision of related services. Mynaric AG is the ultimate parent company which finances and actively manages the Group subsidiaries. The Mynaric Group engages primarily in the manufacturing and sale of products and projects and in the provision of services related to laser technology, particularly for applications in aero-space, telematics and satellite services.

Three subsidiaries have conducted operating activities. The subsidiary Mynaric Systems GmbH discontinued operations effective December 31, 2020 as part of a corporate restructuring.

II. ECONOMIC ENVIRONMENT

1. ECONOMIC DEVELOPMENTS

The global economy was sharply impacted by the COVID-19 pandemic in 2020, which caused the worst recession since the Great Depression of the 1930s. Global gross domestic product (GDP) fell 3.5% in 2020, as compared to growth of 3.0% in the previous year.¹

The coronavirus pandemic plunged the German economy into one of the worst recessions seen in decades, gross domestic product falling 5.0% in 2020 as compared to 0.6% for the previous year. The worst of the economic downturn was over by May 2020, coming after the hard lockdown implemented in April. The German economy has been gradually struggling its way out of crisis since the initial rapid turnaround. Economic output is unlikely to return to its pre-crisis levels until mid-2022, however.²

The US economy shrank 3.4% as compared to growth of 2.2% in the previous year. The economies of eurozone countries suffered significantly greater impact from COVID-19, which saw a 7.2% GDP plunge as compared to growth of 1.3% in the previous year. China still recorded 2.3% GDP growth, but this figure declined sharply from 6.0% in the previous year.³

2. INDUSTRY ENVIRONMENT

Despite the upheaval caused by the pandemic, laser communication remains a key strategic factor for many market participants, including governments players as well as multinational commercial aerospace firms that set up constellations in low Earth orbit (LEO). Commercial activity has picked up significantly, especially in the US, which has decided to broadly deploy laser communication in low Earth orbit. The SDA (Space Development Agency) has designated optical inter-satellite links as a critical technology. Laser communication terminals will be key components of future satellite constellations in low Earth orbit deployed by the Department of Defense. Optical linking of one satellite to another is required to maximize the speed of international data distribution.⁴ In 2020 alone the SDA ordered more laser communication terminals than the entire industry worldwide has manufactured over the last 30 years.

¹ IWF, WORLD ECONOMIC OUTLOOK UPDATE January 2021

² BMWi Annual Economic Report 2021

³ IWF, WORLD ECONOMIC OUTLOOK UPDATE January 2021

⁴ <https://www.sda.mil/dod-to-test-laser-communications-terminals-in-low-earth-orbit/>

Considerable growth is foreseen for the optical satellite communications market over the next few years, principally in view of surging demand for satellite constellations. The new levels of technological maturity reached in recent years have created a new wave of interest in optical satellite communications. The future of this market depends heavily on the progress made by operators of LEO constellations. By the year 2029, demand for laser communication terminals by constellation operators is projected at roughly 11,000 units, with most operators planning to utilize between two and five laser terminals per satellite. Northern Sky Research has projected cumulative market volume of USD 3.8 billion for optical communication equipment in the satellite sector by the end of 2029.⁵

The continuing growth of the space industry was encouraging in an otherwise troubled year, with investment in space-related businesses totaling USD 25.6 billion in 2020. Many analysts predicted a wave of bankruptcies and a general investor exodus following the COVID-19 lockdowns imposed in Q1/Q2 2020 – but that did not occur. While attention centers on the dominant players SpaceX and OneWeb, the space ambitions and accelerating progress of Amazon and Microsoft are often overlooked, which will have a significant impact again in 2021, and beyond.⁶

Laser communication also has compelling benefits for airborne platforms, in addition to space applications. The technology has multiple applications ranging from broadband communication to earth observation – not to mention the potential for totally secure data transmission. Deployments of unmanned aerial vehicles and drones were up in 2020, reflecting greater acceptance, in response to the global pandemic and natural disasters of increasing frequency and severity, and as part of other innovative applications. Utilities, telecommunications providers and other firms in critical industries were forced to quickly figure out how to keep services running without interruption. Drones were used to replace staff in the pandemic lockdown as on-site personnel levels were minimized and remote working was broadly introduced. Drone data gathering was also utilized for site inspections and monitoring of critical infrastructure. Governments have also been using drone technology to provide critical services.⁷ It is likely in the longer term that unmanned autonomous airborne platforms will not be solely equipped with radio frequency communication equipment. Secure high-speed connections over long distances, principally over localized areas, represents an attractive application field for laser communication equipment.

3. BUSINESS PERFORMANCE

Mynaric fully attained its operational objectives for fiscal year 2020, including particularly the target product maturity levels set by the Company and the setup of pre-serial production. The Executive Board is thus very satisfied with the results of Company operations.

Management has a favorable view of the Company's positioning, supported by the following key competitive factors:

1. Late in the year the HAWK Air terminal for laser communication from, to and between flight platforms reached a maturity level allowing customers to conduct initial system testing and demonstrations. Initial units were delivered to a customer in the fourth quarter, followed by initial trials in deployment scenarios. Documentation and process quality in pre-serial production significantly improved, in line with industry requirements. More than a dozen iterative pre-serial non-sale models were built in the fiscal year under review reflecting significantly rising product optimization and maturity with regard to supply chain qualification and improvement and stabilization of the production process. Demand for laser communication equipment suitable for aircraft usage has risen,

⁵ <https://www.nsr.com/research/optical-satellite-communications-2nd-edition/>

⁶ <https://www.spacecapital.com/publications/space-investment-quarterly-q4-2020>

⁷ <https://seraphimcapital.passle.net/post/102gpes/covid-impact-on-the-commercial-drone-industry-and-2021-outlook>

particularly from public-sector customers. Mynaric thus sees itself as excellently positioned to remain a leading player in the industrialization of laser communication and optimally capitalize on the market potential of laser communication in the aerospace sector over the years ahead.

2. Development work advanced substantially on the CONDOR product line, the first product generation intended for satellite-to-satellite laser communication connections in space, which has now successfully passed the 'critical design review' stage of development. Reaching this level of technical maturity enabled dialogue with initial prospective buyers, yielding further specification of product requirements. These in turn flowed into the defining of the second product generation. The supply chain was successfully created and then further stabilized for ramping up pre-serial production of the CONDOR terminal. The highly crucial deliverability of special optical components was secured by licensing the manufacturing know-how of a technology partner, which will enable their in-house production starting in 2021. Demand for laser communication equipment suitable for satellite deployment has risen, particularly from public-sector customers. The development progress made, opening up the prospect of deliverability, led to initial sales of the CONDOR terminal to customers in the fiscal year under review under the auspices of a high-profile US government program. This has enabled Mynaric to position itself internationally as a leading provider of laser communication products for satellite applications.
3. With the building of a new production hall in Oberpfaffenhofen the Company increased its office and production space in Europe to over 6,100 sqm, which is expected to be sufficient for boosting annual laser terminal production capacity into the triple-digits. Additionally, Mynaric has moved into a new, ultra-modern production and office facility in Los Angeles, California with 1,000 sqm of space for electronics and software development among other activities.
4. The Company conducted significant hiring of qualified staff to meet its heightened know-how and personnel requirements, both generally and in connection with commencement of pre-serial production. The additional personnel ensured a smooth process in commencing production and enabled further product maturity gains in phase-one production. Tina Ghataore, one of the most prominent individuals in the satellite communications industry, has come on board Mynaric in the role of President USA tasked significantly expanding the Global Sales & Business Development team on both sides of the Atlantic in 2021 by recruiting professionals with expertise in both the public and private sectors.

In late July 2020 Mynaric severed all business relationships in the Chinese market in response to a specific decision issued by the German federal government on July 23, 2020 via the Federal Ministry for Economic Affairs and Energy banning the exporting of laser communication terminals to China. This came after Mynaric proactively reached out for clarification regarding a planned export to a Chinese customer.

This foreign economic policy intervention made clear the geopolitical importance of laser communication as a key technology for communication infrastructure projects classifiable as critical, emphatically underscoring the strategic importance of Mynaric products. Accepting its responsibilities accordingly, Mynaric committed in July to the upholding of national security interests in its core markets as the Company's top priority, with immediate effect. The export ban meant that long-term projects underway in the Chinese market, into which much effort and money had been invested, were abandoned with finality. As a result, a substantial amount of revenue estimated for fiscal year 2020 was not realizable.

The Mynaric Group nonetheless did attain many of its financial targets for fiscal 2020.

New orders increased significantly versus the previous year, primarily from customers in the US. Output rose by 19.7% despite the loss of planned revenue from the discontinued China business. This in part due to a significant increase in own work capitalized, reflecting accelerated development work on Mynaric products. Inventories rose as production capacity was further expanded and preparations for serial production continued, entailing increases in cost of materials and staff costs in line with planning.

Overall, Mynaric attained most its corporate objectives for the fiscal year. The Executive Board is thus principally satisfied with the results of Company operations.

4. GROUP FINANCIALS

a) Net assets

Total assets increased by EUR 52,043 thousand for the Mynaric Group during the period under review to EUR 86,579 thousand (previous year: EUR 34,536 thousand).

This mainly reflects increasing non-current assets up to EUR 36,262 thousand (previous year: EUR 21,005 thousand)

in part through major investment in intangible assets totaling EUR 8,038 thousand (previous year: EUR 6,100 thousand), most of which represents capitalized development costs. Investments were also made to expand production capacity, and the Company rented a newly built production hall. Other investments made went to IT infrastructure and office equipment. This involved total additions to property, plant and equipment in the amount of EUR 7,113 thousand (previous year: EUR 1,988 thousand). In addition to the newly rented production hall in Oberpfaffenhofen, Germany, the Company moved into new facilities in Los Angeles, California (USA) this year. Right-of-use assets from leases reportable per IFRS 16 thus increased to EUR 7,942 thousand (previous year: EUR 6,700 thousand). Non-current assets decreased to 41.9% of the balance sheet total (previous year: 60.8%)

Current assets increased by EUR 36,786 thousand to EUR 50,317 thousand (previous year: EUR 13,531 thousand), primarily through EUR 70,643 thousand in proceeds from the stock offering conducted by parent company Mynaric AG. This also caused the large increase in reported cash and cash equivalents up to EUR 43,198 thousand (previous year: EUR 8,914 thousand). Another significant factor was the 81.7% rise in inventories up to EUR 5,230 thousand (previous year: EUR 2,878 thousand) due to starting pre-serial production. Trade receivables also contributed, rising to EUR 550 thousand (previous year: EUR 76 thousand).

b) Equity and liabilities

Consolidated equity increased from EUR 24,851 thousand to EUR 70,710 thousand in fiscal the year under review. The equity ratio thus increased to 81.7% (previous year 72.0%), reflecting the increased share capital resulting from the stock offering conducted in fiscal 2020 by parent company Mynaric AG. Share capital thus increased to EUR 4,093 thousand (previous year EUR 2,904 thousand). The premium realized in the stock offering was the primary cause of the reported increase in capital reserves up to EUR 112,417 thousand (previous year: EUR 45,368 thousand). This was offset by the retained loss of EUR 46,113 thousand (previous year: EUR 23,369 thousand)⁸.

⁸ Previous-year value adjusted due to correction of errors per IAS 8.42 regarding the improper recognition of EUR 806 thousand in deferred tax expense on costs for arranging financing recorded in capital reserves.

Non-current liabilities rose to EUR 6,978 thousand (previous year: EUR 6,105 thousand), mainly reflecting the EUR 721 thousand increase in non-current lease liabilities reportable under IFRS 16, up to EUR 6,800 thousand, for the property leases for the newly rented production hall in Oberpfaffenhofen, Germany and office facilities in Los Angeles, California USA (previous year: EUR 6,080 thousand).

Current liabilities rose to EUR 8,890 thousand (previous year: EUR 3,580 thousand). Provisions and accruals increased to EUR 4,417 thousand (previous year: EUR 1,531 thousand), due primarily to staff-related provisions/accruals. Trade payables also rose in connection with preparations for serial production, and short-term lease liabilities per IFRS 16 increased due to the newly concluded real estate lease contracts. Contract liabilities per IFRS 15 were initially recognized in the amount of EUR 299 thousand (previous year: EUR 0 thousand). These concern advance payments received from customers for sales in future periods. Financial and non-financial liabilities, consisting chiefly of advance payments received from customers, rose to EUR 1,308 thousand (previous year: EUR 177 thousand). Current liabilities remained relatively unchanged at 10.3% (previous year: 10.4%) of the balance sheet total.

In fiscal year 2020 the Mynaric Group had cash flow of EUR 34,395 thousand, representing a substantial increase versus the negative figure of EUR -4,072 thousand recorded for the previous year.

Cash flow from operating activities fell to EUR -18,154 thousand (previous year: EUR -7,543 thousand).⁹ This was principally due to the increased consolidated net loss recorded for the year of EUR -22,727 thousand (previous year: EUR -7,667 thousand).¹⁰ Cash outflows for inventories also increased to EUR -2,042 thousand (previous year: EUR -1,252 thousand) in connection with preparations for serial production. Cash outflows for other assets also rose to EUR -988 thousand (previous year: EUR -240), reflecting higher sales tax refunds due, advance payments and deferred items. These outflows were partially offset by a 71.7% increase in depreciation to EUR 2,018 thousand (previous year: EUR 1,175 thousand)¹¹, reflecting the capital expenditures made. Other offsetting effects resulted from increasing provisions, trade payables and other liabilities.

Cash flow from investing activities decreased by EUR -5,633 thousand to EUR -13,721 thousand (previous year: EUR -8,088 thousand)¹², due to extensive investment in fiscal year 2020 to expand development and production capacity. Cash outflows for investments in property, plant and equipment increased by EUR -4,727 thousand to EUR -6,716 thousand (previous year: EUR -1,988 thousand); cash outflows for intangible assets increased by EUR -906 thousand to EUR -7,005 thousand (previous year: EUR -6,100 thousand).

Cash flow from financing activities increased to EUR 66,270 thousand (previous year: EUR 11,559 thousand)¹³ through the proceeds of EUR 61,746 (previous year: EUR 10,419) from the stock offerings conducted. Additional cash inflows in the amount of EUR 5,000 thousand in the fiscal year under review resulted from the convertible bond offering which was converted with accrued interest into share capital effective December 31, 2020 (previous year EUR 0 thousand). Cash outflows to redeem lease liabilities per IFRS 16 increased to EUR -679 thousand (previous year: EUR -435 thousand) due to the newly concluded real estate leases. Cash outflows for interest payments rose to

⁹ Previous-year value adjusted to reflect the more detailed disclosure of foreign currency translation effects and the classification of net interest income as cash flow from financing activities.

¹⁰ Previous-year value adjusted due to correction of errors per IAS 8.42 regarding the improper recognition of EUR 161 thousand in deferred tax expense on costs for arranging financing recorded in capital reserves.

¹¹ Previous-year value adjusted due to the inclusion of writedowns on inventories in the change in inventories.

¹² Previous-year value adjusted to reflect the more detailed disclosure of foreign currency translation effects and the classification of cash inflows/outflows to/from cash instruments as cash flow from financing activities.

¹³ Previous-year value adjusted to reflect the more detailed disclosure of foreign currency translation effects and the classification of net interest income and cash inflows/outflows to/from cash instruments as cash flow from financing activities.

EUR -555 thousand (previous year: EUR -92 thousand) reflecting interest paid on the convertible bond, on an interim financing repaid in the course of the year and increased interest under IFRS 16 lease accounting rules. Cash inflows from interest payments fell EUR 18 thousand (previous year: EUR 105 thousand) on lower interest income in the fiscal year under review due to redemption of the USD fixed-term cash instrument.

Factoring in currency differences, cash and cash equivalents increased by EUR 34,284 thousand to EUR 43,198 thousand (previous year: EUR 8,914 thousand), significantly improving liquidity risk exposure.

In view of the Group's continuing robust growth and further expansion of production, Mynaric AG is studying the options of further stock and bond offerings as well as further subsidy possibilities.

c) Earnings

Mynaric recorded a 52.9% rise in revenue for the year under review, up to EUR 679 thousand (previous year: EUR 444 thousand). Revenue from the US market was up sharply amid successful customer acquisition efforts. The Company's order book situation is of particular note, which improved again handsomely versus the previous year.

The Company qualifies to receive certain government grant to fund development activities and innovative work on solution approaches. Government grant reported under other operating income increased to EUR 295 thousand in the fiscal year under review (previous year: EUR 140 thousand).

Other own work capitalized, consisting for the most part of capitalized development costs, rose by EUR 2,953 thousand or 47.7% year-over-year to EUR 9,137 thousand (previous year: EUR 6,185 thousand). For information regarding the Group's development activities please see the section on Research & Development.

The change in inventories of finished goods and work in progress fell to EUR -976 thousand (previous year: EUR 527 thousand), reflecting impairments and reclassifications to property, plant and equipment recorded in fiscal year 2020 .

Output thus increased 19.7% to EUR 9,441 thousand (previous year: EUR 7,890 thousand)¹⁴.

Cost of materials rose by EUR 3,431 thousand to EUR 6,221 thousand due to preparations for pre-serial production (previous year: EUR 2,790 thousand). Additional hiring led to the number of employees increasing to 186 as of December 31, 2020 (previous year 99), causing personnel expenses to rise 104.0% to EUR 16,682 thousand (previous year: EUR 8,179 thousand).

Depreciation and amortization increased by EUR 842 thousand to EUR 2,017 thousand (previous year: EUR 1,175 thousand)¹⁴ due to the investments made in expansion in 2020 and initial amortization of the completed Air technology. Other operating expenses rose 81.8% to EUR 6,227 thousand (previous year: 3,426), principally in connection with the further expansion of Mynaric Group development and production capacity.

The operating loss (EBIT) fell to EUR -21,707 thousand (previous year: EUR -7,680 thousand) due to the expansion of production and development capacity and the hiring of additional staff in fiscal 2020.

¹⁴ Changed prior-year figure due to allocation of write-downs of inventories as part of changes in inventories.

The financial result declined to EUR -1,037 thousand (previous year: EUR 13 thousand), due mainly to increased interest expense from the EUR 2,500 thousand interim financing taken out in the fiscal year under review and the convertible bond issue of EUR 5,000 thousand. The interim financing was paid off in the course of the year. The convertible bond was converted into share capital at yearend. Cash outflows for interest on lease liabilities increased to EUR 138 thousand (previous year: EUR 92 thousand). Interest income decreased to EUR 18 thousand due to the maturing of time deposits in fiscal 2020 (previous year: EUR 105 thousand).

A consolidated net loss for the year was recorded of EUR -22,744 thousand (EUR -7,667 thousand)¹⁵.

III. RESEARCH AND DEVELOPMENT

Pilot production for both the HAWK and CONDOR terminals started in 2020 and development work on the first product generation continued. The insights these efforts yield will flow into development for the 2nd product generation, which will then embody optimizations. The testing facilities for product qualification have been expanded to enable Mynaric to conduct almost all testing in-house except for radiation testing and special EMC measurements. This significantly accelerates the development cycle, shortening time to market for products innovations. The link testbed is an example of this, which is capable of simulating all significant influence factors for two optical terminals during operation and measuring terminal performance.

In the period under review Mynaric invested a total of EUR 14,449 thousand (previous year: EUR 8,287 thousand) in product development, of which EUR 6,875 thousand was capitalized (previous year: EUR 6,086 thousand).

The decision was made to set up internal production capacity for specialized optical technologies as part of the ramp-up to large-scale production. After corresponding planning, a new production hall was built tailored specifically to Mynaric's requirements and then leased, which by year-end housed all machines and measuring devices for the first production cell for the production of specialized optical technologies.

IV. FINANCIAL AND NON-FINANCIAL PERFORMANCE METRICS

Financial performance metrics

The Mynaric Group has evolved from a developer into a manufacturer, thus the primary managerial metrics now are new orders and total operating output.

Non-financial performance metrics (number of employees)

In fiscal 2020 Mynaric had an average 148 employees (previous year: 82 employees).

The Group's staff are crucial to the success of Mynaric as an enterprise, for the Group's profitability rests largely upon their work and performance. Mynaric depends on highly skilled personnel for its business, and thus offers attractive employee benefits, incentives and career pathing opportunities as well as perks including free drinks and fresh fruit as well as a lunch defrayment which can be optionally taken as an allowance benefit of EUR 44. The Group also funds and promotes social, sporting and team-building activities for its staff. A particularly noteworthy advantage employees enjoy is flexible work hours.

Mynaric views employee skills development and career pathing as important, seeking to advance individuals in these areas in line with Company needs. The training and continuing education required to attain these objectives

¹⁵ Changed prior-year figure due to error correction in accordance with IAS 8.42 for incorrect recognition of a deferred tax expense of EUR 161 thousand and on capital procurement costs recognized in the capital reserve.

are discussed and decided in annual performance reviews and skills development meetings. The Group maintains an internal job board to inform staff of possibilities for internal career path changes and opening advancement opportunities.

V. RISKS AND OPPORTUNITIES; FORECAST

1. RISK REPORT

The Mynaric Group is exposed to various risks as part of the conducting of its business. Internal control and monitoring systems have been implemented to better identify and manage these risks. The early identification of such risks enables the Company to promptly devise and rapidly implement countermeasures.

a) Economic and industry risks

Economic risks

Mynaric customers are exposed to negative developments effecting the economy. Demand for Mynaric products could fall if prospective or actual customers postpone, abandon or reduce the scope of planned investment projects.

Please refer to the commentary in the section 'Forecast' for further information regarding the economy and related risks.

COVID-19-related risks

Mynaric keeps abreast on a daily basis of the risk situation and the latest restrictions and recommendations as announced in livestreamed press conferences of the German Federal Government and by the main governmental organs and agencies of relevance, such as the Federal Ministry for Economic Affairs and Energy, the Bavarian State Ministry of Economic Affairs, the Bavarian State Ministry of Health and Caregiving and The Robert Koch Institute. Mynaric has formed a Corona Crisis Task Force consisting of members of the Executive Board and of the Human Resources, Process Management and Administration departments, whose work continues unabated. The Task Force is responsible for managing and executing the preparation and updating of documents outlining/containing instructions, business continuity measures, information sourcing policies, employee communications and risk analyses pertaining to business travel and external visitors. The Task Force was assigned critical responsibilities regarding the Company hygiene plan and prompt implementation of diverse remote working options and flexible work hours. Their efforts ensured that business activities were able to continue in responsible fashion with as little disruption as possible.

Market and industry risks

Our success and future growth as an enterprise depends on customers being willing to invest in developing the wireless laser communication market, with particular regard to aerospace communication networks. Customer willingness to invest depends in turn on macroeconomic environment, including in particular developments in the constellation market.

It must be noted that constellations in general, and the market for laser communication systems in specific, are still in early stages of development.

To our knowledge there are no constellations in operation at this time which utilize laser communication for linking on a large scale. There is considerable technological and financial risk connected with the Mynaric business plan of potential customers realizing constellations.

If laser communication remains a niche market, demand for products manufactured by Mynaric would be significantly lower than Mynaric currently projects. Failure to grow in these markets would negatively impact revenue in particular, affecting the Mynaric Group's earnings, balance sheet and overall business prospects.

The success of Mynaric as an enterprise depends in large part on the correctness of our projections regarding the growth of the commercial laser communication market. Market growth and/or demand for Mynaric products may well fall short of the estimates made by Mynaric.

Notwithstanding these general parameters however, Mynaric believes that the growth forecast for the industry (see section 3. Forecast) propelled by increasing demand for secure wireless broadband communication means that conditions are favorable regarding the further development of the market. Accordingly, there is a solid basis for anticipating the rapid introduction and industrialization of laser communication products in aerospace, fueling the Company's further growth.

Regulatory risks

Mynaric is subject to regulatory risks, particularly regarding changing sanction laws and government export controls to a number of countries. These can limit the potential customer base and increase compliance costs.

The Company's business is subject to export controls and other special regulations including product, machine, laser safety and conformity standards.

Of particular note are the complex export control and economic sanction laws Mynaric is subject to in some jurisdictions where the Company operates, including the US and the EU. The Company is subject to controls, export license requirements, and export restrictions for certain items and technologies under export control laws.

In addition, some countries require import permits and have implemented laws regulating specific products that may restrict Mynaric's product distribution ability.

In July 2020 the German government issued ban on the supplying of laser communication products to a Chinese customer. Decisions of this nature increase the likelihood that laser communications will be classified as dual-use by at least some countries, potentially limiting Mynaric's ability to sell products in certain markets.

There is a risk in the United States that Mynaric products could be restricted under International Traffic in Arms Regulations (ITAR) or similar regulatory regimes. The approval process thereby required could negatively impact demand from prospective customers and restrict the customer base to companies allowed to import and buy arms under the applicable regulations.

Additionally, laser communication could become subject to more stringent regulation in future. The introduction of regulations governing laser communication similar to those governing radio communications could have a material negative impact on the Mynaric Group's earnings, balance sheet and business prospects.

Mynaric is expanding its Export Control & Compliance department in an effort to address these risks. Mynaric is furthermore in regular close contact with legal counsel and advisors specializing in these areas of law.

Political risk

Growth of the wireless laser communication market could attract further political interest, lead to increasing influence being imposed on Mynaric's business. Communication infrastructure is seen as a critical, and the reliable provision and expansion of critical infrastructure is a core national interest.

Such influence could be of an implicit or explicit nature, the effects of which could be beyond Mynaric's control.

This is a particularly relevant consideration in the wake of the German government's move to prohibit Mynaric from supplying laser terminals to a Chinese customer in July 2020. This decision directly led to the Company abruptly exiting the entire Chinese market, thereby losing out on that market's potential without receiving any let alone adequate compensation for the lost business.

Political influence can therefore have a material negative impact on the Mynaric Group's business, i.e. the Company's earnings and balance sheet.

Mynaric has only limited options for containing these risks. Mynaric has filed suit with the Administrative Court in Berlin and retained counsel specializing in this field of law in connection with the federal government intervention.

Procurement risks

To manufacture its products Mynaric depends on the availability of specific goods and components. These include optical components, special electronics and structural components. If these goods or components are not available from suppliers on the free market at economical prices, individual products could become more difficult or unfeasible to manufacture.

The loss of individual suppliers could furthermore lead to production problems or halts. Certain goods and components required by Mynaric can only be sourced from a handful of specialized suppliers worldwide—in some cases only from one single supplier. It is thus not always possible to adhere to the strategic policy in place of having at least two qualified suppliers for every component. Accordingly, there is risk that Mynaric may be unable to promptly procure components required to manufacture its products at economically prices, and that Mynaric may be unable to manufacture and deliver products.

The Company conducts active supplier management to contain risks associated with rising procurement costs and unavailability of materials. Mynaric seeks suppliers for solid, long-term partnerships that ensure the Group's ability to source necessary materials and upstream products. Supply chain disruptions may still occur, causing production delays.

There was limited availability of certain components at times in 2020 due to temporary supplier production halts caused by the global coronavirus pandemic. For the majority of the parts utilized however, only minor delays resulted.

Competitive risks

According to the information Mynaric has, there are only a few companies actively marketing wireless laser communication technology at this time. These include aerospace firms like TESAT Spacecom (an Airbus subsidiary), SA Photonics, Thales Alenia Space and Ball Aerospace plus a handful of other companies which have the fundamental technical know-how and necessary resources.

The market for commercial laser communication applications is still in an early stage of development, but there are indications that it is set for growth. SpaceX and Telesat, for example, have said they believe laser communication will be an element of their systems in the future. Such public statements and information translate into significantly greater potential volume for the laser communication market, possibly entailing greater competition and the entry of large multinational corporations in the market.

Major IT firms like Cisco, Huawei, Comscope, Coriant and Corning which have extensive experience with ground-based, wired laser communication for fiber optic networks could invest heavily in the wireless laser communications market for aerospace applications, intensifying competition. Aviation firms like Boeing and military equipment providers like Raytheon and Hensoldt, which have much more financial might and money to invest than Mynaric, could enter the market as well. These companies may employ aggressive strategies like subsidy-enabled dumping and lobbying of customers, partners, investors and the media that could put heavy pressure on Mynaric in an attempt to force Mynaric out of the market.

Furthermore, if competition intensifies, the resulting increase in supply could cause prices to fall, narrowing Mynaric margins. Such heightened competition in the laser communication market could have a material adverse impact on the Mynaric Group's earnings, balance sheet and business prospects, particularly regarding costs.

Price risks

For there to be demand for laser communication products general and Mynaric products in particular, the price per unit of transferred data volume over aerospace communication networks has to decline over the longer term to at or below the price level for ground-based communication networks. Such a decline could in turn lead to lower pricing for conventional networks and/or other competing network architectures, undermining demand for aerospace communications networks and consequently for laser communication products like Mynaric's, having a material adverse impact on the Mynaric Group's earnings and business prospects.

b) Company-specific risks

Corporate strategy risk

Our business strategy is about growth. All decisions regarding capital expenditures and investments in companies are made on this basis. Corporate strategy risks may result from projects and strategic decisions which fail to meet expectations. Return on investment from these may not be reached.

The corporate strategy of the Mynaric Group is to realize serial production of standardized laser communication equipment for aerospace, thus capturing economies of scale affording lower development and production cost. The deployment of serially manufactured products yielding lower prices for laser communication is projected to stimulate demand, enabling cost-efficient usage of wireless laser communication in large-scale constellations.

At this time however there is no high-volume market for laser communication systems in existence. The Mynaric approach of developing standardized products for a large number of customers could thus prove unsuccessful if certain customers demand widely varying product specifications and identical units in significantly lower quantities. This would require project-specific production instead of serial production, meaning that the envisioned economies of scale fail to fully materialize, if at all.

The success of Mynaric as an enterprise depends in large part on the correctness of our projections regarding the growth of the commercial laser communication market. Market growth and/or demand for Mynaric products may well fall short of estimates.

Customer acquisition risk

There is a limited base of potential customers for our products. In view of the technological challenges and major investment required to deploy our products, we believe that our customer base will not exceed the double digits in size in the satellite segment, while the number of customers in the aerospace segment will remain in the triple digits.

Successful customer acquisition and retention of highly important first-time buyers are critical to obtain follow-up orders for the implementation and maintenance of corresponding products. Our ability to sell laser communication products on a large scale thus depends greatly on our ability to acquire and retain customers, winning their business at an early stage in the market.

In fiscal year 2020 Mynaric successfully recruited experienced sales personnel with excellent contacts in the aerospace industry who are to play a key role in building up the US business, and have already acquired initial customers.

Production-related organizational risks

Mynaric manufactures laser communication products in-house. Once ordered, products have to be delivered to the customer on the mutually agreed date. To be able to meet these obligations Mynaric must effectively manage its order processing, ensuring that internal logistical and production-related processes are adequate and that project-specific risks are contained.

Mynaric only has limited experience at this time with order processing and serial production of laser terminals, thus there is a risk that unexpected or sudden product demand leading to delays in internal logistical and production-related processes, so that the contractual delivery deadlines are not met.

Work continued in fiscal 2020 to build up another production line in a specially rented hall as part of a major investment being made to significantly increase production capacity. Also, since fiscal year-end preparations have been underway to roll out a new Enterprise Resource Planning (ERP) system to optimize organization of all operational processes. We have recruited additional personnel to Mynaric who have extensive experience and know-how in designing and implementing logistical and production-related processes at tech firms.

Staffing risks

Our staff members are crucial to the success of Mynaric as an enterprise. Due to the nature of our business, the Group is dependent to a large degree on highly skilled labor in order to successfully operate. Staffing-related risks for Mynaric include departures of key personnel and the existence of only a small pool of potential replacement individuals with adequate competency and know-how, among other retention-related issues. Competition for highly skilled labor is and has long been fierce in the region where Mynaric is located, posing challenges.

Nonetheless, we successfully recruited a large number of highly qualified staff to join Mynaric in fiscal year 2020. The number of Company employees rose accordingly from 99 to 186 as of December 31, 2020.

Technology risks

Mynaric products have never been operationally deployed or used on a large scale. Therefore, unsuccessful rollout of Mynaric products to certain first-time customers could be taken as generally indicative of the future performance of Company products. Delivery delays, technical performance or quality issues or other problems regarding the fulfillment of obligations under contracts with first-time customers could cause losses for the customer directly affected and for other existing or potential customers.

Intellectual property risk

The success and competitiveness of Mynaric as an enterprise depend largely on protection of its intellectual property and know-how for designing and manufacturing laser communication products. Mynaric utilizes a combination of measures and methods to protect its intellectual property including confidentiality procedures and contractual provisions among others.

Mynaric has deliberately opted against filing patents, in part because these do not afford sufficient protection against the unlawful exploitation of their know-how by third parties. Filing for a patent would require disclosing Mynaric's know-how, and it would be difficult to enforce patent infringement claims on the international level.

As general policy, Mynaric concludes confidentiality or licensing agreements with employees, consultants, suppliers, partners and customers, and generally restricts access to and the distribution of proprietary information/data. Mynaric cannot guarantee however that such agreements will not be violated.

There is also a risk of employees departing Mynaric going to competitors, bringing their know-how with them.

IT risk

Mynaric is exposed to various IT security risks, including the risk of insufficient availability of IT systems or applications and risk of unauthorized accessing of Company data (which may be of a sensitive nature). The Mynaric Group has responded to these risks by implementing a multi-level security concept that provides for protective measures at the interface point between the Company's internal network and the public internet and for precautionary security technology on servers and client devices. These include, but are not limited to: firewalls, network segmentation, user-specific access rights to data and applications, data encryption and daily backup to external as well as internal storage locations. These measures are flanked by IT monitoring and a systematic IT change management process. All employees are obligated to comply with Company IT security policies. Company management ensures compliance with requirements under the latest amended data protection laws and regulations, in part through the agency of the Company's Data Protection Officer.

c) Financial risks

Liquidity risk

Mynaric business operations are primarily equity-financed. There is a risk that sufficient additional equity or debt financing may not be available on economically acceptable terms at the time it should be required.

To attract additional equity investment the Company has to be able to convince investors of the attractiveness of providing further financing for its operations and growth. The willingness of investors to put up equity depends largely on their view of the growth prospects for the laser communication market and on Mynaric's success in gaining market share and running an attractive business model in that market.

Options for obtaining debt financing are directly tied to the financial results Mynaric achieves. Mynaric is still very much a startup company in a nascent industry, and due to intensive development activity the Company has not recorded a profit in recent years, affecting its credit rating with lenders.

Company management monitors these risks via rolling cash flow forecasting to project the amount of cash and cash equivalents Group companies will require. Liquidity management is done centrally for the group companies, for the most part. The stock offerings conducted in the fiscal year under review and the convertible bond issue improved

Group liquidity substantially, reducing liquidity risk accordingly. The cash and cash equivalents held as of the balance sheet date in combination with the financing plans in place are sufficient to cover the Group's financing needs for fiscal year 2021.

Credit risk

Credit risk is a relatively insignificant issue for Mynaric currently. The Company is exposed to a certain credit risk at all times due to the possibility of deleterious economic circumstances abruptly occurring that lead to defaults. The Company's receivables portfolio consists essentially of receivables from public-sector customers on the one hand, i.e. granted subsidy funding, and receivables from large customers, on whom credit checks are run. Credit risk on receivables is thus considered to be modest, thus no Group companies insure their receivables. Current and information and projections are taken into account in light of Group estimates of credit risk within its customer base, including public-sector clients in particular.

Currency risk

Conducting business transactions in foreign currencies means that exchange rate movements can have an effect on the consolidated statement of financial position and the consolidated statement of income. Risk exposure arises for example from purchases and sales transacted by an operating unit in currencies other than the unit's functional currency.

The Group operates primarily in the eurozone and the US market. Some sales are thus transacted in foreign currency (USD). Generated USD cash inflows are utilized to finance the Company's US subsidiary. As of the balance sheet date the Company had USD receivables of EUR 550 thousand (previous year: EUR 0 thousand). Currency risk is currently classified as low overall.

Interest rate risk

As of the reporting sheet date Mynaric held no at-interest financial liabilities granted by third parties (external debt/ loans). Parent company Mynaric AG provides some of the financing required by the group subsidiaries in the form of intercompany loans at a regular market interest rate of 2.0%. The Company is thus not exposed to any special interest rate risk other than through general interest rate movements.

d) Legal risks

Product liability risk

Products developed by Mynaric could evidence defects or fail to meet customers' quality requirements for other reasons. Thus far only pre-serial pilot products and individual prototypes have been delivered to interested customers for demonstration and testing. No serially manufactured products have been deployed to date.

It thus cannot be ruled out that products serially manufactured as planned may be defective or otherwise fail to meet customers' quality requirements, opening Mynaric up to liability claims, nor that customers may suffer consequential damages significantly exceeding the value of the products.

Legal risks

Third parties could claim infringement of intellectual property by Mynaric, and Mynaric could face significant litigation or licensing costs or face obstacles to selling products or services.

Mynaric will review any such claims on a case-by-case basis and then take steps as appropriate. Any intellectual property rights dispute or litigation could be costly and time consuming, particularly in the United States, due to the complexity of Mynaric technology and the uncertainties as to whether intellectual property rights may be infringed. This is a highly relevant risk, for in the laser communication equipment market the Company competes against large firms that have much greater financial resources to pursue legal claims, and in many cases have well-developed patenting and property rights strategies in place.

Claims of infringement of third-party intellectual property rights could force Mynaric to find alternative product technologies to develop, or to cease using certain technologies, thereby disrupting the development, manufacturing or marketing of certain products or causing such to be discontinued. Mynaric could furthermore be forced such case to abruptly change the focus of its development efforts so as to avoid infringing the rights of third parties.

e) Summary findings and comments

Mynaric's goal is to develop laser communication from a niche technology into a mass-use industrial application, and accordingly perceives its risk exposure to be that typical of companies seeking to establish new high-tech products in a cutting-edge market. Since forming of the enterprise, Mynaric has made steady progress in containing various risks and optimizing risk management. In view of the risk monitoring and control mechanisms in place, Management believes that Mynaric is well capable of managing its residual risk exposure. The Executive Board is not aware of any going-concern risks facing the Group in fiscal year 2021. In view of the Group's continuing robust growth and expanding production, Company management is studying the options of further stock and bond offerings as well as further subsidy possibilities on an ongoing basis.

2. OPPORTUNITIES

Most companies in space industries performed robustly again in 2020 despite the continuing COVID-19 pandemic, providing further confirmation that the industry remains insulated from short-term economic turmoil, due principally to the fact that their business rests on long-term government contracts. Deployment of communications satellites increased 477% in 2020 despite 2019 being a record year in which 175 communications satellites were deployed. This surge was mostly attributable to two broadband companies: SpaceX and OneWeb.¹⁴ SpaceX was the leader with seven successful Starlink satellite launches (now having over 1,000 satellites in space). In August the company sold stock in an oversubscribed USD 2 billion offering. OneWeb has emerged from bankruptcy with the UK government and Bharti Global investing USD 1 billion in the company.¹⁵

Government subsidies in support of commercial space flight have become more important since outbreak of the pandemic. More and more nations are establishing their own space programs, but the US remains by far the biggest spender, whose government has both national security and economic interests in space. The US has budgeted USD 18 billion for the newly formed Space Force under the Department of Defense for 2021, and USD 25 billion for NASA.¹⁶

Laser communication technology is expected to be deployed in mega-satellite constellations to enable high-throughput data transmission between satellites, forming large-scale optical meshed networks in space. Mynaric is excellently positioned as a subsystem supplier in the aerospace network market.

¹⁴ <https://www.thespacereport.org/>

¹⁵ <https://seraphimcapital.passle.net/post/102gnob/2020-space-year-in-review-resilient-and-robust-despite-pandemic>

¹⁶ <https://seraphimcapital.passle.net/post/102gnob/2020-space-year-in-review-resilient-and-robust-despite-pandemic>

In its Government and Military Satellite Communications Report released in November 2020, Northern Sky Research noted that total revenue in the government and military satellite communications market increased in 2019/2020 despite the challenges related to COVID-19, projecting a figure of USD 93 billion to be reached by 2029. Commercial satellite connectivity is still one of the main pillars of this market, and demand for more robust, reliable, and resilient connectivity for commercial markets will only be increasing, with bandwidth demand of over 900 Gbps projected by the year 2029.¹⁷

Teal Group analysts have predicted that unmanned aerial vehicles (UAVs) will be among the most dynamic growth segments in global aerospace in this decade. In its market report for 2020-2021 Teal sees UAV production rising from a current USD 5.6 billion in 2020 to USD 14 billion in 2029, volume totaling USD 95.5 billion over this ten-year period. Military spending on UAV research would generate an additional USD 64.5 billion over the ten-year period.¹⁸ The modern sensor systems used in UAVs are increasingly precise, resulting in greater data volume. This in turn requires greater throughput as well as secure connectivity—these are the factors driving demand for laser communication products made by Mynaric and others.

The Mynaric Group occupies a high-innovation market segment that holds significant growth opportunities. We believe that overall the market will continue to develop in ways favorable for Mynaric over the long term, and accordingly foresee continuing business growth.

3. FORECAST

Hope has risen for an end to the pandemic with multiple vaccines having been approved and vaccination commenced in some countries in December. The IMF forecasts growth of 5.5% for 2021 as the global economy recovers, and economic output to rise 4.3% for industrialized nations. Growth of 5.1% is projected for the US economy, and 4.2% for the eurozone. The IMF projects 3.5% economic growth for Germany.¹⁹

According to Oxford Economics the Covid crisis will continue impacting global production, whose baseline forecast is that global GDP will be about 2.0% lower over long term, a difference of USD 2.1 trillion. Global trade will likely be less robust, with certain areas remaining under pressure for some time to come. The global economy will therefore be less open, and falling investment is a major risk as barriers are potentially raised through various channels. This risk can be partially contained but not eliminated through supply-side support policies.²⁰

Industrial production increased further in November 2020 despite the partial lockdown according to a report from the German Federal Ministry for Economic Affairs and Energy issued on January 14, 2021, having risen 0.9% since October. Output increased in November in both manufacturing and construction (+1.2% and +1.4% respectively). The main growth drivers for manufacturing were automotive, IT & optical equipment and machinery, which recorded production increases of 2.2%, 6.7% and 1.8% respectively. Thus manufacturers have not been as heavily impacted by restrictions as they were last spring.²¹

¹⁷ <https://seraphimcapital.passle.net/post/102gnob/2020-space-year-in-review-resilient-and-robust-despite-pandemic>

¹⁸ <https://seraphimcapital.passle.net/post/102gnob/2020-space-year-in-review-resilient-and-robust-despite-pandemic>

¹⁹ <https://www.nsr.com/research/government-military-satellite-communications-17th-edition/>

²⁰ <https://www.tealgroup.com/index.php/pages/press-releases/66-teal-group-predicts-worldwide-civil-drone-production-will-more-than-triple-over-the-next-decade-despite-pandemic-2>

²¹ IWF, WORLD ECONOMIC OUTLOOK UPDATE January 2021

Optical technology manufacturers have generally performed in line with the industrial sector (including energy and construction), thus we foresee performance comparable with that of the larger economy in both the near and the longer term.

Regarding laser communication products in specific,

1. Northern Sky Research (NSR) has projected that sales of inter-satellite laser communication links will generate total revenue of USD 3.8 billion between the years 2020 and 2029 on sales volume of over 11,000 units.²² Key market participants like SpaceX, Amazon and OneWeb are already actively expanding constellation projects into the thousands of satellites, or soon will be. Laser communication technology is critical for constellation operators, representing a major business opportunity for Mynaric.
2. Laser communication technology is increasingly viewed as relevant to national interests, thus Mynaric's business is affected by current geopolitics, including the rising tension between the US and China. This relevance will be unaffected by the change of administration, as US President Biden has said he would shift investments from "legacy systems that won't be relevant" to "smart investments in technologies and innovations — including in cyber, space, unmanned systems and artificial intelligence."²³

The investments made in 2020 in expanding in the key North American market are aimed at ensuring that Mynaric has adequate production capacity for the requirements likely upcoming in the year ahead. The number of Company employees is growing from month to month. The experience and knowledge of our extremely diverse team of high-level experts and managers keep the Company steadily moving forward.

Budgeted development investment volume for 2021 is slightly below the level for the year under review but is in line with that level regarding technical systems and machinery given the further expansion of production capacity.

Mynaric is only partially able to cover its business expenses from subsidies and sales revenue from development services under its former business model and from existing product sales. Mynaric is estimating revenues from product sales to rise substantially over the fiscal years ahead so that the firm will achieve operational profitability in the medium term.

The Company monitors the liquidity and financial needs of the Mynaric Group on an ongoing basis and in close coordination with the other members of the Mynaric AG Executive Board. We believe that future of the Mynaric Group as a going concern is secure on the basis of realistic scenario planning and projections, furthermore expecting business growth. These expectations underlie the accounting and measurements per the 2020 annual financial statements.

The market for aerospace laser communication products is still relatively young, and no historical benchmarks or relevant referenceable trends for it exist. In view of the dynamic market changes currently taking place, financial projections and estimates are subject to considerable uncertainty at this time. Nonetheless, Mynaric does generally anticipate a robust rise in demand for laser communication products over the next few years and believes the Group is well-positioned in the market for business growth. In view of current market developments the Mynaric Group anticipates a substantial rise in orders as well as sales revenue and total operating output versus the previous year, as well as significantly increasing costs as production capacity is further expanded.

Gilching, March 31, 2021

The Management Board

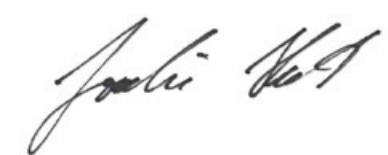
Bulent Altan
CEO



Stefan Berndt-von Bülow
CFO



Joachim Horwarth
CTO



²² <https://blog.oxfordeconomics.com/coronavirus/the-scars-of-covid-19>

²³ <https://www.bmwi.de/Redaktion/DE/Pressemitteilungen/Wirtschaftliche-Lage/2021/20210114-die-wirtschaftliche-lage-in-deutschland-im-januar-2021.html>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

in KEUR	Note	2020	2019
Revenue	(1)	679	444
Change in inventories of finished goods and work in progress	(2)	-976	527
Other own work capitalized	(3)	9,137	6,185
Other operating income	(4)	601	734
Output		9,441	7,890
Cost of materials	(5)	-6,221	-2,790
Personnel expenses	(6)	-16,683	-8,179
Depreciation and amortisation of other intangible assets and property, plant and equipment	(7)	-2,017	-1,175
Other operating expenses	(8)	-6,227	-3,426
Operating profit/loss (EBIT)		-21,707	-7,680
Interest and similar income	(9)	18	105
Interest and similar expenses	(9)	-1,055	-92
Financial result	(9)	-1,037	13
Profit/loss before tax (EBT)		-22,745	-7,667
Income tax expense	(10)	1	0
CONSOLIDATED NET PROFIT/LOSS FOR THE YEAR		-22,744	-7,667
Other comprehensive income			
Items which may be subsequently reclassified to profit and loss			
Foreign operations – foreign currency translation differences	(19)	366	-43
Total		366	-43
Other comprehensive income for the year after tax		366	-43
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-22,378	-7,710
Basic number of shares	(11)	3,353,850	2,831,427
Diluted number of shares	(11)	3,392,050	2,831,427
Basic earnings per share in EUR	(11)	-6,78	-2,71
Diluted earnings per share in EUR	(11)	-6,71	-2,71
Allocation of the consolidated net loss for the year			
Shareholders of the company		-22,744	-7,667
Allocation of the comprehensive income for the year			
Shareholders of the company		-22,378	-7,710

CONSOLIDATED STATEMENT OF FINANCIAL POSTION AS OF DECEMBER 31, 2020

ASSETS

in KEUR	Note	12/31/2020	12/31/2019
Assets			
Intangible assets	(13)	17,884	10,224
Right-of-use assets	(15)	7,942	6,700
Property, plant and equipment	(14)	10,077	3,855
Other non-current financial assets	(14)	359	226
Non-current assets		36,262	21,005
Inventories	(16)	5,230	2,878
Trade receivables	(17)	550	76
Current tax assets		0	11
Other financial and non-financial assets	(18)	1,339	1,652
Cash and cash equivalents	(19)	43,198	8,914
Current assets		50,317	13,531
TOTAL ASSETS		86,579	34,536

EQUITY AND LIABILITIES

in KEUR	Note	12/31/2020	12/31/2019
Equity			
Share capital	(20)	4,093	2,904
Capital reserve	(21)	112,417	45,368
Exchange rate differences	(22)	314	-53
Retained loss		-46,113	-23,369
TOTAL EQUITY		70,710	24,851
Liabilities			
Provisions and accruals	(23)	178	25
Non-current lease liabilities		6,800	6,080
Non-current liabilities		6,978	6,105
Provisions and accruals	(23)	4,417	1,531
Current Leasing liabilities		1,156	664
Trade payables		1,710	1,207
Contract liabilities	(24)	299	0
Other Financial and non-financial liabilities	(25)	1,308	177
Current liabilities		8,890	3,580
TOTAL EQUITY AND LIABILITIES		86,579	34,536

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

in KEUR	Share capital	Capital reserves	Exchange rate differences	Retained loss	Total
Balance at 01/01/2019	2,704	35,689	-10	-16,347	22,037
Correction of error		-645		645	0
Balance at 01/01/2019 adjusted	2,704	35,044	-10	-15,701	22,037
Issue of ordinary shares	200	10,800			11,000
Share issue costs		-420			-420
Equity-settled share-based payments		105			105
Consolidated net loss for the year				-7,828	-7,828
Other comprehensive income			-43		-43
Correction of error		-161		161	0
Balance at 12/31/2019	2,904	45,368	-53	-23,369	24,851
Balance at 01/01/2020	2,904	45,368	-53	-23,369	24,851
Issue of ordinary shares	1,189	69,455			70,643
Share issue costs		-3,397			-3,397
Equity-settled share-based payments		992			992
Consolidated net loss for the year				-22,744	-22,744
Other comprehensive income			366		366
BALANCE AT 12/31/2020	4,093	112,417	314	-46,113	70,710

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

in KEUR	2020	2019
Cash flows from operating activities		
Consolidated net profit/loss for the year	-22,744	-7,667
<i>Adjustments for:</i>		
Income tax expense	-1	0
Depreciation, amortization and impairments	2,018	1,175
Gain from disposals of fixed assets	51	-3
Net interest expense/income	-17	-13
Equity-settled share-based payment transactions	992	105
<i>Changes in:</i>		
Inventories	-2,042	-1,252
Trade receivables	-514	241
Other financial and non-financial assets	-988	-240
Provisions and accruals	2,880	247
Trade and other payables	258	-63
Contract liabilities	312	0
Other financial and non-financial liabilities	1,110	33
Exchange differences	531	-106
Net cash from operating activities	-18,154	-7,543
Cash flows from investing activities		
Acquisition of intangible assets	-7,005	-6,100
Acquisition of property, plant and equipment	-6,716	-1,988
Net cash used in investing activities	-13,721	-8,088
Cash flows from financing activities		
Proceeds from capital increase	61,746	10,419
Proceeds from convertible bonds	5,000	0
Proceeds	2,500	0
Repayment of short-term loans	-2,500	0
Payments of lease liabilities	-679	-435
Interests received	18	105
Interests paid	-555	-92
Proceeds from other financial assets	740	1,562
Net cash from financing activities	66,270	11,559
Net increase/decrease in cash and cash equivalents	34,395	-4,072
Cash and cash equivalents at 01/01/2020	8,914	12,923
Effects of movements in exchange rates on cash held	-111	63
CASH AND CASH EQUIVALENTS AT 31/12/2020	43,198	8,914

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR JANUARY 01 - DECEMBER 31, 2020

I. GENERAL INFORMATION

The address of the Mynaric AG headquarters is Dornierstraße 19, 82205 Gilching, Germany. The Company's commercial register record number HRB 232763, kept by Munich District Court. The Company's shares trade are listed in the Scale segment of the Open Market of the Frankfurt Stock Exchange. The objective of the Company is to engage in the development, manufacture, sale and operation of communication network equipment, software, systems and solutions and related products – for aerospace applications in particular – in the holding and management of equity investments in other companies active in these areas and in the provision of related services. Mynaric AG is the ultimate parent company which finances and actively manages the Group subsidiaries. The Mynaric Group engages primarily in the manufacturing and sale of products and projects and in the provision of services related to laser technology, particularly for applications in aerospace, telematics and satellite services.

Three subsidiaries have conducted operating activities. The subsidiary Mynaric Systems GmbH discontinued operations effective December 31, 2020 as part of a corporate restructuring.

II. BASIS OF ACCOUNTING

BASIS OF PRESENTATION

Mynaric AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable in the EU as of the statement date, taking into account interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), in further compliance with § 315e of German Commercial Code (HGB).

The consolidated financial statements of Mynaric AG have been prepared applying uniform accounting and measurement rules. Unless noted, the same accounting and measurement methods were applied as in the previous year, except where changes in IFRS accounting rules required application on and after January 1, 2020.

The consolidated financial statements were prepared applying the going concern principle. The consolidated statement of cash flows and the consolidated statement of changes in equity are shown in addition to the consolidated statement of profit and loss and other comprehensive income and the consolidated statement of financial position. The reporting currency is the Euro (EUR). All amounts are stated in thousands of Euros herein (EUR thousand) unless otherwise specified. Please be advised that rounding in accordance with customary business practices may result in differences in amounts and percentages.

The consolidated statement of profit and loss and other comprehensive income was prepared applying the total cost accounting method. Certain income statement and statement of financial position items are combined for purposes of clarity, for which explanatory comments are provided in the notes. Distinction is made on the statement of financial position between current and non-current assets and liabilities, in accordance with IAS 1 (Presentation of Financial Statements). Assets, provisions and liabilities are classified as current if they are realiz-able or fall due within a period of one year. The consolidated financial statements are published in the German Federal Gazette (BAnz).

NEW EFFECTIVE STANDARDS

The International Accounting Standards Board (IASB) and the IFRS IC have revised the following standards and interpretations whose application is mandatory for fiscal year 2020 from January 1, 2020, except for the simplified rules under IFRS 16 applicable from June 1, 2020:

- **Changes to references to the Conceptual Framework in several standards and interpretations**
The IASB published a revision of its Conceptual Framework in 2018 that primarily concerns accounting concepts, such as the definition of 'assets' and 'liabilities'. This revision did not result in any material changes. Several references to the Conceptual Framework appearing in standards and interpretations were then updated accordingly. The IASB has issued a pronouncement summarizing the updated references to the Conceptual Framework appearing in IFRS standards.
- **Amendment to IFRS 3: clarification of the Definition of a Business**
IFRS 3 "Business Combinations" outlined a definition of a 'business' and provided illustrative examples supplementing the standard. The modified IFRS 3 clarifies that a business can only be recognized to exist when three key characteristics are in evidence. The business must be able to produce salable outputs (goods or services) by means of a value-adding substantive process utilizing inputs.
- **Amendments to IAS 1 and IAS 8: definition of 'material'**
The principle of materiality, which is of fundamental applicability, was further specified in the amendments to IAS 1 and IAS 8 published in October 2018 and deviating definitions of materiality appearing in certain standards were amended to conform with the materiality definition per the Conceptual Framework. Under the newly clarified definition of materiality, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decision-making by the primary users of the financial statements.
- **Amendments to IFRS 9, IFRS 39, and IAS 7 – IBOR reform**
The IASB published its 'Interest Rate Benchmark Reform' in late September 2019 in a move to resolve uncertainty regarding the application of IFRS 9, IAS 39 and IFRS 7 when applying new benchmark interest rates pursuant to the IBOR reform. The modifications include in particular certain simplifications in the hedge accounting rules to allow the continuation of previously existing hedge relationships despite uncertainty over the cash flows. In addition, an exception was introduced regarding retrospective assessment per to IAS 39 and relief implemented regarding separate identifiability in macro hedging.
- **Amendments to IFRS 16 (Covid 19-related concessions, applicable as of June 1, 2020)**
All over the world, the corona pandemic has necessitated the adjustment and/or renegotiation of leases to provide financial relief, partly in connection with state-ordered lockdowns. Under IFRS 16, all subsequent lease contract adjustments, such as rent release periods, reductions and deferrals, represent modifications, attaching certain legal consequences to their implementation. Under the Covid-19-related concessions regarding the application of IFRS 16, lessees meeting the conditions can opt not to show Covid-19-related rental concessions as a modification. Application of the concession has various accounting consequences in relation to rent waivers, reductions and deferrals respectively, but consistent application is required for similarly structured contracts.

The Group has applied all accounting standards of mandatory applicability as of the respective dates of January 1, 2020 and June 1, 2020. Such application has had no material impact on these consolidated financial statements.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The IASB has issued standards, interpretations and amendments to existing standards whose application is not yet mandatory, i.e. will only be mandatory in subsequent reporting periods, which Mynaric AG is not applying on an early basis.

	DATE OF APPLICABILITY (EU)
Amendments to IFRS 4	01.01.2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: IBOR Reform	01.01.2021
Amendments to IFRS 3	01.01.2022
Amendments to IAS 16	01.01.2022
Amendments to IAS 37	01.01.2022
Annual Improvements 2018-2020	01.01.2022
IFRS 17 Insurance Contracts	01.01.2023
Amendments to IAS 1	01.01.2023

The Company is presently studying the impact of the new and amended accounting standards stated above but does not expect such impact to be material.

III. BASIS OF CONSOLIDATION

The consolidated financial statements include the separate financial statements of Mynaric AG and its subsidiaries dated December 31, 2020, prepared using accounting and measurement methods applied uniformly Group-wide. Subsidiaries whose finance and business policies Mynaric AG is capable of directly or indirectly influencing to derive benefit from their activities are fully consolidated. Companies are deconsolidated when the subsidiary is no longer controlled by the parent company.

All inter-company balances, income and expenses, as well as unrealized gains and losses and dividends from inter-company transactions are fully eliminated.

The purchase method is applied for the capital consolidation of acquired subsidiaries. All subsidiaries under the legal or de facto control of Mynaric AG are included in the consolidated financial statements.

Pursuant to IFRS 10, the scope of consolidation includes Mynaric AG and all subsidiaries over which Mynaric AG has a controlling influence.

The consolidated financial statements of Mynaric AG include Mynaric AG, two fully consolidated domestic subsidiaries and one fully consolidated foreign subsidiary. The subsidiaries are listed in Scope of Consolidation table, stating the shareholding percentage.

COMPANY NAME	SHAREHOLDING IN %	CONSOLIDATION
Mynaric Lasercom GmbH, Gilching	100,0	Fully consolidated
Mynaric Systems GmbH, Gilching	100,0	Fully consolidated
Mynaric USA, Inc., Los Angeles	100,0	Fully consolidated

IV. SIGNIFICANT ACCOUNTING POLICIES

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are prepared in Euros, the functional currency of the parent company. The functional currency of foreign entities is determined by the primary economic environment in which these entities independently operate with respect to financial, economic and organizational considerations, and in which they predominantly earn and use their cash and cash equivalents. The functional currency of Mynaric Group subsidiaries is their respective local currency. Foreign currency transactions are first translated into the functional currency applying the spot rate.

Monetary foreign currency assets and liabilities are translated into the functional currency applying the spot rate at the balance sheet date. Resulting currency differences are recorded in profit and loss. Non-monetary assets and liabilities in foreign currency are carried at historical exchange rates. To determine the exchange rate applied for initial recognition of the associated asset, expense or income when derecognizing a non-monetary asset or liability arising from prepaid consideration, the date of the transaction is the date of initial recognition of the non-monetary asset or liability arising from the advance payment.

Assets and liabilities of subsidiaries whose functional currency is not the Euro are translated into Euros applying the exchange rate at the reporting date; income statement items are translated applying average exchange rates for the year.

In case of the full or partial disposal of a foreign operation causing a loss of control, significant influence or joint control, the cumulative currency translation reserve amount recorded for that foreign operation up to that point is reclassified as part of the disposal income, recognized in profit and loss. In case of partial disposal without loss of control of a subsidiary that involves a foreign operation, the corresponding portion of the cumulative conversion difference is allocated to non-controlling interests. If the Group sells only part of an associate or joint venture that involves a foreign operation but maintains significant influence or joint control, the corresponding portion of the cumulative currency translation difference is reclassified to profit and loss. If the Group sells only part of an associate or joint venture that involves a foreign operation but maintains significant influence or joint control, the corresponding portion of the cumulative currency translation difference is reclassified to profit and loss.

The table below shows the USD/EUR exchange rates applied for preparation of the consolidated financial statements:

	31/12/2020		31/12/2019	
EXCHANGE RATE	BALANCE SHEET	INCOME STATEMENT	BALANCE SHEET	INCOME STATEMENT
USD/EUR	0.81540	0.87322	0.89160	0.88258

USE OF JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of the consolidated financial statements pursuant to IFRS requires management to make discretionary decisions and assumptions as well as estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates and assumptions. The primary areas in which discretionary judgments and estimates are made concern the impairment of intangible assets and other non-financial assets, valuation of inventories, capitalization of development expenses and recognition of deferred tax assets. Judgments and estimates are also made in the context of IFRS 16, Leases. Any change in these discretionary

judgments could have a material adverse effect on the Company's financial position, results of operations and cash flows.

Estimates of certain elements of recognized production costs were changed in fiscal year 2020. See Notes [13] and [16] for information on these and the corresponding effects on the statement of financial position and the statement of income.

The most significant future-relevant assumptions, other main causes of estimation uncertainty existent as of the reporting date and discretionary judgments made which entail a significant risk of having to materially adjust the carrying amount of assets and liabilities are discussed below, as well as any other primary uncertainty factors affecting estimates and discretionary judgments so as to pose considerable risk.

Estimates and judgments relating to the COVID-19 pandemic

Due to the global impact of the COVID-19 pandemic, the full extent of which is unknowable, estimates and discretionary judgments made in connection with the reporting of assets and liabilities are subject to heightened uncertainty.

Impairments of goodwill and other non-financial assets

Intangible assets are measured on the basis of long-term corporate planning applying market and company-specific discount rates, projected growth rates and exchange rates. The assumptions made in this respect may be subject to changes which could result in impairment losses on those assets in future periods.

Measurement of deferred tax assets

Deferred taxes are calculated applying the tax rates of the individual countries (tax rates in effect or announced as of the reporting date) at the date at which the assets are realized or the liability settled, and on the estimates of the Group companies' future ability to generate taxable income. Any tax rate changes or any deviation of actual taxable income from estimates could result in deferred tax assets not being realized.

The measured value of deferred tax assets is subject to estimation uncertainty regarding the existence of future taxable income against which deductible temporary differences and tax loss carryforwards can be applied, which furthermore may result or proceed from future tax strategies not currently pursued.

Inventories

Reserve losses recorded on the inventories are measured based on the inventory service level or the expected net income (expected sales price less estimated costs at completion and less estimated selling expenses). Future consumption, actual income and outstanding costs could differ from the expected amounts.

Development costs

The decision to initially capitalize development costs in line with IAS 38.57 is made principally based on an assessment by management that a technical and economic viability has been demonstrably reached in a given case. To determine capitalizable amounts management makes assumptions concerning the amount of the cash flows expected to be generated by the assets in question, the discount rate to be applied and the period in which the assets are expected to generate future cash flows. Significant adjustments could become necessary if certain expectations are not realized and a value adjustment is then required.

Leases

The Group determines the lease term based on the non-terminatable base term plus possible periods under a lease extension option as long as it is reasonably certain that the option will be exercised or taking into consideration periods resulting from a lease termination option if it is reasonably certain that the Group will not exercise that option. Mynaric has concluded several lease contracts which have extension and termination options and makes discretionary judgments in assessing whether there is sufficient certainty that these lease extension or termination options will or will not be exercised. Thus, all relevant factors are considered which represent an economic incentive to exercise the extension/renewal or termination option. Mynaric reassesses the lease term if a significant event or change in circumstances occurs after the commencement date. For building leases, the extension option has not been factored into the term. This assumption reflects management's current view that while there are no relocation plans at this time, the possibility of such a move cannot be ruled out.

Share-based payments

Volatility is taken into account in measuring the fair value of share-based payments. Please see the explanations per Note [12] for further information.

Classification of assets as qualifying assets

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized pursuant to IAS 23.1. IAS 23.5 states a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The standard does not quantify what constitutes a "substantial period of time", thus a discretionary judgment has to be made in this regard. The working definition has been adopted that a "substantial period of time" is a period exceeding twelve months, in line with IDW recommendations (the Institute of Public Auditors in Germany)¹.

The following assets represent qualifying assets under the Mynaric definition because their production/acquisition period is greater than twelve months in duration from the original investment date:

- capitalized development projects
- certain self-constructed assets
- certain property, plant and equipment assets.

Direct and general borrowing costs for these assets are capitalized as acquisition or construction or production costs, in accordance with IAS 23.

Litigation risks and regulatory investigations

The Group may be involved in litigation or the subject of regulatory investigations from time to time in the course of its ordinary business operations.

The legal issues behind such litigation and regulatory investigations are typically complex in nature, involving considerable uncertainty. Accordingly, assessing whether a current obligation from a past event exists as of the reporting date, a future cash outflow is probable, and the amount of the obligation can be reliably estimated are matters requiring substantial judgment on the part of management. Mynaric assesses the status quo of open proceedings on an ongoing basis together with its outside counsel. The amount of provisions recorded for open and pending proceedings thus may have to be adjusted to reflect new developments. Changes in estimates and assessment premises may have a material impact on the Group's earnings going forward. Furthermore, the amount

¹ IDW RS HFA 37, point 5

of provisions recorded may prove insufficient at the conclusion of such proceedings, and/or the Group may become obligated in legal proceedings to make payments for which no provisions have been recorded.

In the opinion of the Company's Management Board and its legal advisors, there are no potentially existing claims which could materially impact the Group's net assets, financial position or results of operations beyond the litigation risks already reflected by the recorded provisions.

REVENUE RECOGNITION

In accordance with IFRS 15, Revenue from Contracts with Customers, revenue is recognized when the disposal over specifiable goods or services is transferred to the customer, i.e. when the customer is capable of determining usage of the transferred goods or services and of deriving most of the residual benefit of these. The conditions for this include that a contract with enforceable rights and obligations must be in place and receipt of the consideration must be probable in view of the customer's credit standing. Rebates, early payment discounts and bonuses are charged against and reduce revenues, as are sales tax and other charges.

Accounting is done on the level of the individual contract with a customer unless the conditions for combining contracts are fulfilled. The rules per the standard are applied uniformly to similarly structured contracts and under other similar circumstances. The Group generated revenue exclusively from sales of goods and services.

If a contract involves multiple specifiable goods or services, the transaction price is allocated across the performance obligations on the basis of the relative individual sale prices. Revenues from each performance obligation are recognized either at a specific point in time or over a specific period.

Period-specific revenue recognition is required if the customer realizes ongoing benefit from the work products of Mynaric and simultaneously consumes these, if Mynaric creates or processes an asset controlled by the customer or if Mynaric creates an asset without alternative usages for its own benefit and is legally entitled to payment for the products/services provided.

In line with IFRS 15, transactions are reviewed to identify deferrable commitments so as to accurately reflect the economic content of the transaction. Extended warranties granted to customers have been classified as deferred commitments and recognized accordingly as deferred revenue on the balance sheet. An extended warranty is in evidence if warranty is granted beyond the statutory warranty period. Deferred revenue is reported as current or non-current contract liabilities in accordance the period of its realization.

Advance payments from customers are usually short-term in horizon, thus they do not entail a significant financing component. These are likewise shown as a contract liability.

Operating expenses are recorded in profit or loss either at the point in time of product/service utilization or at the point in time when they are incurred, applying the accrual principle of accounting.

UNCAPITALIZED RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenditures which are not capitalizable pursuant to IAS 38 are expensed in profit and loss as incurred.

OTHER OWN WORK CAPITALIZED

Development expenses must be capitalized for a newly developed product or process under IAS 38.57 if the product or process is clearly specifiable, technically feasible and intended for own use or market distribution. Capitalizability is further contingent upon sufficient likelihood that the development expenses in question will be covered by future cash inflows. These assets are measured at incurred construction/production cost, which is mainly development work hours at the respective hourly rate plus purchased products and services. Own work capitalized also includes borrowing costs capitalizable as the construction/production cost of qualifying assets per IAS 23.

GOVERNMENT GRANTS

The amount of government grants related to assets are deducted from the carrying amount of the asset in question and recorded in profit and loss, reducing depreciation over the useful life of the depreciable asset. Income from government grants related to assets was received in the amount of EUR 8 thousand in fiscal year 2020 (previous years: EUR 0 thousand).

Government grants compensating the Group for incurred expenses are recorded in profit and loss as other operating income in the period in which the compensatable expenses were incurred. Government grants

for incurred expenses were received in the amount of EUR 295 thousand in fiscal year 2020 (previous year: EUR 140 thousand).

FINANCIAL RESULT

The financial result is a net figure that includes interest expense, other financial expense and interest income from receivables. Interest income and expense is recognized in profit and loss applying the effective interest method.

Interest paid and received are recorded as cash flow from financing activities.

INTANGIBLE ASSETS

Intangible assets are initially carried at their acquisition or production cost. Direct and general financing costs for intangible assets classified as qualifying assets per IAS 23 also count as acquisition or construction/production costs. Intangible assets are carried in subsequent periods at acquisition or production cost less cumulative amortization and expensed impairments. Intangible assets with a definite useful life are amortized by schedule. The estimated life and remaining useful life periods applied and the amortization method used are reviewed annually. Useful life periods are adjusted for future periods as necessary when the underlying assumptions change. Such adjustments made due to a changed expectation of useful life or use of a different amortization method are treated as a change in estimates. Intangible assets which have indefinite useful life or are not yet in use are not amortized by schedule but are subject to impairment testing at least annually, and when there is any indication that either the specific asset or the cash-generating unit may be impaired.

Intangible assets include purchased software and licenses and capitalized development expenses. Purchased software and licenses are amortized straight-line over an estimated useful life ranging between three and eight years.

Pursuant to IAS 38 (Intangible Assets), research and development costs must be treated separately. Research is defined as independent investigations conducted according to plan with the aim of acquiring new scientific or technical knowledge or insights. Development is defined as the technical/technological implementation of research findings for commercial purposes.

Pursuant to IAS 38, development costs must be capitalized if certain criteria are met, while research costs must be expensed in the period in which they are incurred. Development costs must be capitalized as intangible assets when it is more likely than not that the development activities will result in future cash flows and the economic benefits embodied in those cash flows will exceed the development costs. In addition, the development project concerned must be technically feasible, the technical and financial resources necessary to complete the project must be available and project-related costs incurred during development must be reliably measurable.

Capitalized development costs are amortized straight-line over a period of 15 years reflecting the period of future economic exploitation, beginning after completion of the development phase at the point in time when the product is ready for serial manufacture or is otherwise mature. The amortization of development projects carried as intangible assets is expensed on the income statement under depreciation and amortization.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at acquisition or construction cost including proportionate borrowing costs less cumulative scheduled depreciation and cumulative impairments. Scheduled depreciation is recorded straight-line pro rata. The term of depreciation is the estimated useful life of the asset. The useful life durations applied are 3 years for computer hardware and 3 - 14 years for machinery, operational and business equipment, and leasehold improvements.

Useful life duration, residual values and depreciation methods for property, plant and equipment are reviewed periodically and adjusted as necessary to ensure that these reflect the economic benefits expected to be derived from the asset.

IMPAIRMENTS OF NON-CURRENT NON-FINANCIAL ASSETS

Mynaric reviews as of the reporting date whether any indications are apparent of non-financial assets being impaired or of necessary impairment reversals. Given any such indications, Mynaric estimates the recoverable amounts of the non-financial assets in question. The recoverable amount is determined for each asset individually unless a given asset generates cash inflows that are not largely independent of cash flows from other assets or asset groups (cash-generating units).

Goodwill and other intangible assets with unlimited or indefinite useful lives are impairment tested at least once annually on the level of the cash-generating unit. When the carrying value of an asset or cash-generating unit exceeds its recoverable amount, an impairment is recorded in the amount of the difference.

The recoverable amount is the greater of value in use or the asset's fair value less costs of disposal.

Value in use is calculated by discounting expected future cash flows from continuing usage of the cash-generating units, applying a risk-adjusted pre-tax discount rate. Future cash flows are estimated on the basis of long-term forecasting approved by management at the time of conducting impairment testing.

If value in use is lower than carrying amount, fair value less costs of disposal is also calculated to determine the recoverable amount. It is reviewed as of the reporting date whether impairments recorded in previous periods require full or partial reversal. In such cases Mynaric records a full or partial reversal, writing up the carrying amount to the recoverable amount. The carrying amount may not be written-up beyond the the amortized-adjusted carrying value measurable if there no impairment loss had been recorded in previous years.

INVENTORIES

Inventories are carried at the lower of cost or net realizable value. Cost is primarily determined based on average batch cost or weighted average cost of the item.

In addition to directly allocable costs, production cost includes appropriate portions of production overheads on the basis of normal operating capacity. The net realizable value is the estimated sale price realizable in regular business operations less estimated costs of completion and estimated selling expenses.

Discounted net sales prices are applied as necessary to reflect shelf life and reduced usability risks. Impairment losses are reversed accordingly if the reasons for impairment losses recorded on inventories no longer exist.

CONTRACT ASSETS, CONTRACT LIABILITIES AND RECEIVABLES

When one party to a contract with the customer has fulfilled its contractual obligations, a contract asset or liability or a receivable is recognized depending on the relationship between performance and payment by the customer. Receivables are recognized if the claim to receive the consideration is no longer in any way conditional.

OTHER FINANCIAL ASSETS

A financial instrument is any contract that leads to the recognition of a financial asset by one party and of a financial liability or equity instrument by the counterparty. These include both original financial instruments, such as trade and other receivables/payables, and derivative financial instruments, such as foreign exchange contracts.

The Group utilizes the following categories in classifying financial assets, based on business model:

- assets subsequently measured at fair value in other comprehensive income (FVOCI) or fair value in profit and loss (FVPL), and
- assets subsequently carried at amortized cost (AmC).

At this time there are no financial assets classified as FVOCI or FVPL.

Trade receivables and issued debt instruments are recognized from the date of their origination, i.e. the date on which the Group became a contracting party of the instrument under the contractual terms thereof.

For initial recognition the Group measures financial assets at fair value. For financial assets not subsequently measured at fair value through profit and loss, transaction costs directly connected with acquisition of the asset are added thereto. Transaction costs of financial assets measured at fair value through profit and loss are recorded as an expense in profit and loss.

Financial assets are derecognized when claims to cash flows from the financial assets have either expired or have been transferred and essentially all risks and rewards of ownership thereof have been transferred out of the Group. Financial assets held in order to receive contractual cash flows which consist exclusively of interest and principal payments are measured at amortized cost. Interest income from these financial assets is shown as financial income, applying the effective interest method. Gains/losses from derecognition are recorded directly in the consolidated statement of comprehensive income and shown together with foreign currency gains and losses under 'Other operating income/expenses'. Trade receivables, cash and cash equivalents and other financial assets fall into this category.

IMPAIRMENTS OF FINANCIAL ASSETS

The Group holds the following financial assets subject to the credit loss model per IFRS 9:

- Trade receivables
- Other financial assets
- Time deposits at banks
- Bank balances

Cash and cash equivalents are also subject to the IFRS 9 impairment rules but the expected credit loss identified for these was not recorded due to immateriality.

The Group estimates future credit losses on debt instruments held that are carried at amortized cost. The impairment testing method employed depends on whether credit risk has significantly increased (general model). A three-stage model is followed for the recognizing expected credit losses as forward-looking impairments: All instruments are classified as stage 1 upon their addition. For these, the present value of expected defaulted payments resulting from potential future default events within the twelve-month period following the balance sheet date is recorded as an expense. All instruments are then classified to stage 2 which have become subject to significantly increased default risk as of the reporting date versus the date of their addition. Instruments are classified to stage 3 when there are furthermore objective indications of impairment. As of the reporting date, no instruments classified as stage 2 or 3 were held.

Trade receivables with the same credit risk characteristics were added together to measure expected credit losses.

Expected losses on bank deposits classifiable as other financial assets due to their maturity term are not recorded because the amounts are negligible.

TAXES

Tax expense consists of current and deferred taxes. Current and deferred taxes are recorded in profit and loss except where they relate to a business combination or items directly recordable in equity or other comprehensive income.

Effective taxes

As effective taxes the Group records its expected tax owed/tax refund due on taxable income for the fiscal year after applying tax loss carryforwards. The tax rates applicable as of the reporting date are used for measurement. The currently applicable tax rates are not expected to change within the short term. All necessary adjustments to tax liabilities/tax refunds due from previous periods are taken into account.

The Mynaric Group is not aware of any significant tax treatment uncertainties proceeding from differing interpretations of tax rules versus the view held by the tax authority.

Deferred taxes

Pursuant to IAS 12, temporary differences arising between asset and liability valuations in tax accounting and under IFRS/IAS financial accounting rules are recognizable as deferred tax asset/liabilities. Offsetting deferred tax items are taken into account in applying IAS 12. Deferred tax assets are recognized when it is probable that a taxable profit will be on the books against which the temporary difference can be applied. The same applies regarding deferred tax refunds due based on tax loss carryforwards. Deferred tax assets are written down in amount to the extent it

is not probable that it will not be realized. Deferred tax liabilities are not recognized where deferred tax liabilities are not expected to affect taxes due to the existence of tax loss carryforwards. Deferred tax assets are not recognized on temporary differences connected with shares in subsidiaries if the Group has control over the timing of the elimination of such temporary differences and it is probable that the temporary differences will not be eliminated in the near future.

Varying specific tax rates were applied to calculate 2020 income taxes. The Mynaric Group applies a tax rate of 27.725% to calculate deferred taxes for domestic Group companies. This aggregate income tax rate is calculated as 15% corporation tax plus 5.5% solidarity surcharge on corporation tax and 11.9% trade tax applying a municipal trade tax multiplier of 340%. An income tax rate of 29.84% is applied to calculate deferred taxes for the US subsidiary. This is calculated as the federal tax rate of 21.00% plus the California state tax rate of 8.84%.

Deferred tax receivables and liabilities are only netted out when the deferred taxes in question are income taxes levied by the same tax authority and current tax amounts are offsettable.

SHARE-BASED PAYMENTS

The fair value measured upon granting of share-based payment is expensed straight-line over the vesting period with a corresponding increase in equity on the basis of the Group's expectation that the equity instruments will vest. The Group has to review its estimates regarding the number of equity instruments that will vest as of every financial statement date. The effects of changes to the original estimates made are to be recorded in profit and loss, simultaneously adjusting the formed equity reserve.

PROVISIONS

Provisions are recorded when – due to a past event – the Company incurs a current legal or constructive obligation towards a third party, the outflow of resources embodying economic benefits in order to settle the obligation is probable, and the amount can be reliably estimated. If a reimbursement is expected to be paid, at least in part, for a provision recorded under liabilities (e.g. in case of an insurance policy), the reimbursement is classified as a separate asset if there is a high probability of reimbursement occurring. The expense for the recorded provision is shown on the income statement less any reimbursement. If the obligations fall due within more than one year and payment can be reliably estimated in terms of both amount and timing, the non-current portion of the obligation is measured at present value if the corresponding interest effect is material. Net present value is determined based on market interest rates commensurate with risk and the period until the settlement of the obligation.

In case of discounting, the increase in the provision due to the passage of time is recorded as interest expense in the financial result. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

FINANCIAL LIABILITIES

Upon initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, as loans, liabilities or derivatives which have been designated as and effectively are hedging instruments. All financial liabilities are initially measured at fair value, and loans and liabilities are shown after deduction of directly attributable transaction costs. The Group's financial liabilities include trade payables, other liabilities and liabilities due to financial institutions, including overdrafts.

The subsequent measurement of financial liabilities depends on their classification, as follows:

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and other financial liabilities initially recognized at fair value through profit or loss.

Financial liabilities are classified as held for trading which are acquired for the purpose of buyback/repurchasing in the near future.

Also included in this category are derivative financial instrument contracts entered into which are not designated as hedging instruments in hedge accounting per IFRS 9. Separately recognized embedded derivatives are also classified as held for trading, except for derivatives which are designated as and effectively are hedging instruments. Gains and losses on financial liabilities held for trading are recorded in profit or loss.

Classification as financial liabilities held at fair value through profit or loss is done at the time of initial recognition if the criteria per IFRS 9 are met. Mynaric does not have any financial liabilities classified as measured at fair value through profit or loss.

Financial liabilities measured at amortized cost (FLACs)

This class is of the greatest significance for the Mynaric consolidated financial statements, consisting of trade payables, other liabilities and loans. Following initial recognition, interest-bearing loans are measured at amortized cost applying the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, also through amortization applying the effective interest method.

Financial liabilities are derecognized when the underlying contractual obligations have been fulfilled or canceled or have expired. Financial liabilities which are not due within twelve months of the end of the reporting period are classified as non-current, otherwise as current.

LEASES

The Group assesses at contract commencement whether a contract constitutes or includes a lease. This is the case if the contract grants entitlement to control usage of an identified asset in return for payment of a fee over a defined period of time.

The Group as lessee

The Group records and measures all leases except current leases and leases with a low-value underlying asset. The Group records lease payment liabilities and rights of use for the underlying asset.

Right-of-use assets

The Group records assets for granted rights of use as of the commencement date (i.e. the point in time when the underlying leased asset is available for use). Right-of-use assets are carried at acquisition cost less all cumulative amortization and cumulative impairment losses and are adjusted for any revaluation of the lease liabilities. The acquisition cost of right-of-use assets include the corresponding lease liabilities plus any restoration costs less initial direct costs and lease payments made during or before commencement, deducting any leasing incentives received.

Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term or the projected useful life of the leases, as follows:

- Real estate 3 - 10 years
- Other leases 2 - 3 years

If ownership of the leased asset is transferred to the Group at the end of the lease term or an exercised purchase option is included in cost, amortization is measured based on the projected useful life of the leased asset. Right-of-use assets are also tested for impairment.

Lease liabilities

The Group records lease liabilities at the present value of the lease payments to be made over the lease term as of the commencement date. Lease payments include fixed payments (including de facto fixed payments) less any lease incentives to be received, variable lease payments linked to an index or interest rate or other rate, and amounts expected to be paid under a residual value guarantee. Lease payments also include the purchase option exercise price if it is reasonably certain that the Group will actually exercise the option and include lease termination penalties if it is taken into account in the term that the Group will exercise the termination option. Variable lease payments not linked to an index or interest rate or other rate are expensed in the period in which the event triggering the payment occurs or triggering condition is met. The Group determines the lease term based on the non-terminatable base lease term plus possible periods under a lease extension option as long as it is reasonably certain that the option will be exercised or taking into consideration periods resulting from a lease termination option if it is reasonably certain that the Group will exercise that option. Management has to make significant discretionary decisions in assessing whether there is sufficient certainty that renewal and/or termination options will be exercised (see note to use of judgements, estimate and assumptions).

The Group applies the lessor's discount rate if known to calculate the present value of lease payments. If this rate is not known, the Company applies the Group's incremental borrowing rate as of the provision date. The incremental borrowing rate is the interest rate which the Group would pay if borrowing funds over a comparable term in a comparable economic environment for an asset of a value comparable to the right-of-use assets. After the commencement date, the lease liability amount is adjusted upward to reflect increased interest expense and downward to reflect the lease payments made. In addition, the carrying amount of lease liabilities is adjusted when there are changes to the lease, including changes in lease term and lease payments (e.g. changes in future lease payment amounts due to a change in the index or interest rate applied to determine the payment amounts), and when there are changes in the evaluation of an option to purchase the underlying asset.

Short-term leases and leases with an underlying low-value asset

The Group utilizes the relief for current lease contracts for real estate and other operating equipment (i.e. leases without a purchase option maturing in twelve months or less from the commencement date). The Group also utilizes the exception rule for leases for low-value underlying assets to leases for office equipment classified as low-value. Lease payments for current leases and for leases for a low-value underlying asset are expensed over the lease term on a straight-line basis.

V. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

[1] REVENUES

Revenues under contracts with customers are generated for the delivery of goods and provision of services, and are recognized in part at specific points in time and in part over periods. Deliveries include sales of the Hawk Air and Condor terminals. Services primarily concern development and training services rendered for the laser terminals manufactured by Mynaric.

Revenue breaks down as follows:

REVENUE 2020

in KEUR	AIR SEGMENT	SPACE SEGMENT	TOTAL
Product sales	558	90	648
Services	31	0	31
TOTAL	589	90	679

REVENUE 2019

in KEUR	AIR SEGMENT	SPACE SEGMENT	TOTAL
Product sales	0	444	444
Services	0	0	0
TOTAL	0	444	444

[2] CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

The change in inventories of finished goods and work in progress chiefly resulted from the ongoing construction of ground stations, space terminals and air terminals. The change in inventories is shown below:

in KEUR	2020	2019
Increase in inventories of work in progress	241	556
Write-downs	-1,217	-29
TOTAL CHANGE IN INVENTORIES	-976	527

In contrast to the previous year, starting in fiscal 2020 production-related administrative and warehousing costs will not be included as production cost of inventories. For the first time in the year under review, writedowns on inventories are shown under the change in inventories. The previous-year reporting has been adjusted accordingly to afford better comparability. Write-downs were recorded on inventories of Hawk Air terminals and to the GS-200 and GS-400 ground stations, which were written down to net realizable value.

[3] OTHER OWN WORK CAPITALIZED

Own work capitalized consists primarily of capitalized development costs. Also included is own work for the construction of property, plant and equipment.

The table below shows the breakdown of own work capitalized.

2020

in KEUR	DEVELOPMENT COSTS	PROPERTY, PLANT AND EQUIPMENT
Own work	6,875	1,114
Capitalized borrowing costs	1,102	46
TOTAL	7,977	1,160

2019

in KEUR	DEVELOPMENT COSTS	PROPERTY, PLANT AND EQUIPMENT
Own work	6,086	98
Capitalized borrowing costs	0	0
TOTAL	6,086	98

In contrast to the previous year, starting in fiscal 2020 production-related administrative and warehousing costs will not be included as production cost of capitalized development costs and assets under construction. Borrowing costs were capitalized in fiscal 2020 as production/construction costs of qualifying assets per IAS 23, applying a borrowing cost rate of 10.69% p.a. In the statement of profit and loss, the capitalized borrowing costs are pre-sented in the financial result as own work capitalized in the same amount.

[4] OTHER OPERATING INCOME

Other operating income breaks down as follows:

in KEUR	2020	2019
Income from government grants	295	140
Income from reversal of provisions and accruals	243	317
Miscellaneous operating income	36	37
Income from foreign currency translation	27	164
Late payment penalties claimed	0	76
TOTAL	601	734

The Company qualifies to receive certain government grants to fund development activities and innovative work on solution approaches. Income from governments grants increased to EUR 295 thousand in the fiscal year under review (previous year: EUR 140 thousand).

[5] COST OF MATERIALS

Cost of materials breaks down as follows:

in KEUR	2020	2019
Raw materials and supplies	4,710	1,208
Expenses for services purchased	1,506	1,582
TOTAL	6,216	2,790

[6] PERSONNEL EXPENSES

The table below shows the breakdown of personnel expenses:

in KEUR	2020	2019
Wages and salaries	14,559	7,078
Social security and pension contributions	2,124	1,101
TOTAL	16,683	8,179

Social security and pension expenses include pension expenses in the amount of EUR 872 thousand (previous year: EUR 450 thousand). personnel expenses of EUR 992 thousand were recorded in connection with share-based payments (previous year: EUR 105 thousand).

[7] DEPRECIATION & AMORTIZATION

Depreciation and amortization for fiscal year 2020 breaks down as follows:

in KEUR	2020	2019
Amortization of intangible assets	379	110
Depreciation of property, plant and equipment	822	587
Amortization of right-of-use assets	816	479
TOTAL	2,017	1,175

Amortization of intangible assets includes an impairment loss of EUR 156 thousand (previous year: EUR 0 thousand). This was recorded for the ground station technology capitalized in previous years, development of which is discontinued.

The previous-year financial statements stated an impairment in the amount of EUR 188 thousand on property, plant and equipment. In the reporting year under review, no impairment of property, plant and equipment was recordable.

[8] OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

in KEUR	2020	2019
Legal and consulting fees	2,110	1,009
Office and IT expenses	790	384
Other expenses	613	330
Expense from foreign currency translation	557	81
Selling and travel expenses	451	587
Other office/operating expenses	382	221
Rent and maintenance	377	371
Reporting, auditing and accounting expenses	329	129
Other personnel expenses	268	180
Supervisory board member compensation	130	66
Insurance	96	55
Bank transaction costs	72	9
Loss from disposal of fixed assets	51	3
TOTAL	6,227	3,426

Other office/operating expenses chiefly concern purchased services and purchases of tools and devices. Other personnel expenses consist mainly of recruiting expenses.

[9] FINANCIAL RESULT

The financial result is calculated as follows:

in KEUR	2020	2019
FINANCIAL INCOME		
Other interest income from loans and receivables	18	105
Total	18	105
FINANCIAL EXPENSES		
Interest expense from liabilities carried at amortized cost	917	0
Interest on leases	138	92
Total	1,055	92
FINANCIAL RESULT	-1,037	13

Borrowing costs capitalized as acquisition/construction/production cost per IAS 23 are shown as own work capitalized.

[10] INCOME TAXES

in KEUR	01/01 - 12/31/2020	01/01 - 12/31/2019
Estimated taxes applying an tax rate of 27.725% (previous year: tax rate of 28.00%)	6,306	2,130
Effects from temporary differences in capitalized development costs, other intangible assets and property, plant & equipment	-2,070	-1,670
Effects from temporary differences in work in progress	-32	-56
Effects from temporary differences in leases	-40	12
Effects from temporary differences in provisions and liabilities	316	0
Effects from temporary differences due to currency effects	144	0
Effects from non-tax-deductible expenses	18	10
Effects from previously unrecognized, unused tax losses and offsetting options now recognized as deferred tax assets	1,682	1,714
Effects from unused and unrecognized tax losses and offsetting options	-6,324	-2,140
TAX EXPENSE FOR THE FISCAL YEAR	0	0

Breakdown of tax expense:

in KEUR	01/01 - 12/31/2020		01/01 - 12/31/2019	
	Current taxes	Deferred taxes	Current taxes	Deferred taxes
Domestic	0	0	0	0
International	0	0	0	0
TOTAL	0	0	0	0

Due to the previous start-up losses, deferred tax assets for domestic loss carryforwards and carryforward inter-est expenses for corporation tax EUR 63,332 thousand / trade tax EUR 62,853 thousand (previous year: corpora-tion tax EUR 32,576 thousand/ trade tax EUR 32,426 thousand) were only recognized in the amount of taxable temporary negative differences (net) . These totaled EUR 15,863 thousand as of the statement date (previous year: EUR 9,800 thousand). Accordingly, no deferred tax assets were recognized for tax loss carryforwards for corporation tax in the amount of EUR 47,469 thousand (previous year: EUR 22,776 thousand) and for trade tax in the amount of EUR 46,990 thousand (previous year: EUR 22,626 thousand). The same applies for foreign loss carryforwards in the amount of EUR 2,469 thousand (previous year: EUR 2,705 thousand). These loss carryfor-wards are non-expiring. The Company believes on the basis of business planning that tax loss carryforwards will be utilized because sufficient taxable temporary differences will exist in the planning period taking into account minimum tax requirements limiting tax deductibility.

Changes in deferred taxes not affecting profit and loss in the fiscal year under review amounted to EUR 0 thousand (previous year: EUR 0 thousand).

BALANCES OF DEFERRED TAX ASSETS AND LIABILITIES:

	12/31/2020		12/31/2019		01/01 - 12/31/2020	01/01 - 12/31/2019
in KEUR	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Change recorded in profit and loss	Change recorded in profit and loss
Intangible assets and property, plant and equipment	52	4,934	0	2,812	-2,070	-1,670
Work in progress	19	0	51	0	-32	-56
Leasing	11	7	44	0	-40	44
Provisions and accruals	101	17	0	0	84	0
Contract liabilities	87	0	0	0	87	0
Other liabilities	268	0	0	0	268	0
Advance payments received	0	123	0	0	-123	0
Effects from foreign currency translation adjustments	144	0	0	0	144	0
Tax loss carryforwards and tax credits	4,399	0	2,717	0	1,682	1,682
Offsetting/netting	-5,081	-5,081	-2,812	-2,812	0	0
TOTAL	0	0	0	0	0	0
Of which current	0	0	0	0		

[11] EARNINGS PER SHARE

Basic earnings per share is calculated by dividing earnings after taxes attributable to the shares by the number of dividend-entitled shares. Earnings per share can be diluted through stock options, subscription rights, convertible securities, warrants or similar instruments. As of the balance sheet an additional 38,200 shares were included for calculating basic and diluted earnings per share (previous year: 0 shares)..

in KEUR	2020	2019
Share capital	4,093	2,904
Consolidated net loss for the year	-22,744	-7,667
Number of shares, basic	3,353,850	2,831,427
Number of shares, diluted	3,392,050	2,831,427
Earnings per share in EUR, basic	-6,78	-2,71
Earnings per share in EUR, diluted	-6,71	-2,71

[12] SHARE-BASED PAYMENT

2017 Stock Option Plan

In fiscal year 2018 Mynaric AG granted special stock subscription rights to select employees under the 2017 Stock Option Plan (hereinafter “stock options”). A stock option grants the holder entitlement to purchase Company shares at a specified exercise price. There is a four-year vesting period from the stock option grant date during which the stock options cannot yet be exercised. When vested (upon elapse of the vesting period), the stock options can be exercised within a period of two (2) years subject to the attainment of performance targets. The performance targets are linked to the absolute (not percentage) change in the price of Company shares during the vesting period. One third of granted stock options can be exercised if the volume-weighted six-month average price of Company stock in Xetra trading (or via a comparable successor system) at the Frankfurt Stock Exchange exceeds the exercise price after vesting by 20% or more. Another third is exercisable thus when the exercise price is exceeded by 30% or more, the last third when exceeded by 50% or more.

2019 Stock Option Plan

Special stock subscription rights were granted to selected employees in fiscal year 2019 under the 2019 Stock Option Plan. A stock option grants the holder entitlement to purchase Company shares at a specified exercise price. There is a four-year vesting period from the stock option grant date during which the stock options cannot yet be exercised. When vested (upon elapse of the vesting period), the stock options can be exercised within a period of three (3) years subject to the attainment of a performance target. The performance target is an absolute (not percentage) change in the price of Company shares during the vesting period. The stock options can be exercised if the volume-weighted six-month average price of Company stock in Xetra trading (or via a comparable successor system) at the Frankfurt Stock Exchange exceeds the exercise price after vesting by 20% or more. Under the 2019 Stock Option Plan stock options were also granted (Tranche 2019 I) to entitled plan participants in replacement of waived claims for stock options granted 2018 under the 2017 Stock Option Plans.

2020 Stock Option Plan

Stock subscription rights were granted to select employees in fiscal year 2020 under the 2020 Stock Option Plan. A stock option grants the holder entitlement to purchase Company shares at a specified exercise price. There is a four-year vesting period from the stock option grant date during which the stock options cannot yet be exercised. When vested (upon elapse of the vesting period), the stock options can be exercised within a period of three (3) years subject to the attainment of a performance target. The performance target is an absolute (not percentage) change in the price of Company shares during the vesting period. The stock options can be exercised if the volume-weighted six-month average price of Company stock in Xetra trading (or via a comparable successor system) at the Frankfurt Stock Exchange exceeds the exercise price after vesting by 20% or more.

The granting of stock options under the 2017, 2019 and 2020 Stock Option Plans was classified and treated as equity-settled share-based payment instruments in accordance with IFRS 2. Fair value is thus only measured once, on the grant date. The measured expense then has to be distributed over the vesting period.

The table below provides an overview of stock options outstanding, granted, forfeited, exercised and lapsed. The stock options granted in replacement of the waived stock options under the 2017 Stock Option Plan were accounted for in accordance with the IFRS 2 rules for replacement plans.

The table below shows the change in stock options in fiscal year 2020:

		TRANCHE 2019 I	TRANCHE 2019 II	TRANCHE 2019 III	TRANCHE 2019 IV	TRANCHE 2019 V	TRANCHE 2019 VI	TRANCHE 2020 I
Stock options outstanding at the start of the 2020 reporting period (01/01/2020)	1,500	109,800	20,000	-	-	-	-	-
Stock options granted in the 2020 reporting period	-	-	-	19,850	53,000	26,600	13,500	14,000
Stock options forfeited in the 2020 reporting period	1,500	2,700	-	5,650	-	-	-	-
Stock options exercised in the 2020 reporting period	-	-	-	-	-	-	-	-
Stock options expired in the 2020 reporting period	-	-	-	-	-	-	-	-
Stock options outstanding at the end of the 2020 reporting period (12/31/2020)	-	107,100	20,000	12,200	53,000	26,600	13,500	14,000
Stock options exercisable at the end of the 2020 reporting period (December 12/31/2020)	-	-	-	-	-	-	-	-

The change in stock options versus the previous year was as follows:

		TRANCHE 2019 I	TRANCHE 2019 II
Stock options outstanding at the start of the 2019 reporting period (01/01/2019)	20,000	-	-
Stock options granted in the 2019 reporting period	-	109,800	20,000
Stock options forfeited in the 2019 reporting period	17,800	-	-
Stock options exercised in the 2019 reporting period		-	-
Stock options expired in the 2019 reporting period	700	-	-
Stock options outstanding at the end of the 2019 reporting period (12/31/2019)	1,500	109,800	20,000
Stock options exercisable at the end of the 2019 reporting period (December 12/31/2019)	-	-	-

No stock options were exercised in fiscal year 2020. The table below shows the remaining contractual term for the respective tranches as of December 31, 2020.

Measurement model, input parameters

Valuations for the existing stock option plans were measured employing Monte Carlo simulation, taking account of the option exercise terms. The table below shows the input parameters of the model as of December 31, 2020.

		TRANCHE 2019 I	TRANCHE 2019 II	TRANCHE 2019 III	TRANCHE 2019 IV	TRANCHE 2019 V	TRANCHE 2019 VI	TRANCHE 2020 I
Exercise price (in EUR)	59.15	42.46	41.03	46.50	47.25	61.27	66.49	61.27
Term in years	6	7	7	7	7	7	7	7
Remaining term in years	3.40	5.75	6.00	6.25	6.50	6.75	7.00	6.75
Share price at measurement date (in EUR)	52.20	38.00	38.50	35.20	51.00	75.46	73.20	75.46
Expected dividend yield (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expected volatility (%)	46.41	45.91	45.66	48.32	48.45	36.39	36.63	36.39
Risk-free interest rate (%)	0.04	-0.74	-0.39	-0.62	-0.60	-0.65	-0.69	-0.65
Option value (in EUR)	15.71	11.53	12.42	9.43	19.55	26.14	23.25	26.14

The following parameters were applied as the basis for measurement at the end of the previous year (12/31/2019):

		TRANCHE 2019 I	TRANCHE 2019 II
Exercise price (in EUR)	59.15	42.46	41.03
Term in years	6	7	7
Remaining term in years	4.40	6.75	7.00
Share price at measurement date (in EUR)	52.20	38.00	38.50
Expected dividend yield (%)	0.00	0.00	0.00
Expected volatility (%)	46.41	45.91	45.66
Risk-free interest rate (%)	0.04	-0.74	-0.39
Option value (in EUR)	15.71	11.53	12.42

The stock option term and early exercise possibilities were taken into account in the stock option model. Early exercise is assumed if the share price exceeds the exercise price by a factor of 1.2. The implied yield on German government bonds of equivalent maturities was referenced as the risk-free interest rate. Mynaric AG has been publicly traded for a shorter period of time than the remaining term of the stock options, thus volatility was determined based on the historical volatility of a peer group over an equivalent term. The expected volatility applied is based on the assumption that historical volatility can be an indicator of future trends, thus actual volatility may differ versus the assumptions made.

Expenses recorded for share-based payments in the period under review totaled EUR 992 thousand (previous year: EUR 105 thousand). Share-based payments recorded in capital reserves totaled EUR 1,129 thousand as of December 31, 2020 (previous year: EUR 137 thousand).

VI. NOTES TO STATEMENT OF FINANCIAL POSITION

[13] INTANGIBLE ASSETS

COST

in KEUR	DEVELOPMENT COSTS	SOFTWARE AND LICENCES	GOODWILL	TOTAL
Balance at 01/01/2019	4,119	276	0	4,395
Additions	6,086	10	4	6,100
Balance at 12/31/2019 / 01/01/2020	10,206	286	4	10,495
Additions	7,977	62	0	8,038
Disposals	-250	0	0	-250
BALANCE AT 12/31/2020	17,933	347	4	18,284

ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES

in KEUR	DEVELOPMENT COSTS	SOFTWARE AND LICENCES	GOODWILL	TOTAL
Balance at 01/01/2019	0	160	0	160
Amortization for the year	66	40	4	110
Balance at 12/31/2019 / 01/01/2020	66	201	4	270
Amortization for the year	165	57	0	222
Impairment	156	0	0	156
Disposals	-250	0	0	-250
BALANCE AT 12/31/2020	138	258	4	399

CARRYING AMOUNT

in KEUR	DEVELOPMENT COSTS	SOFTWARE AND LICENCES	GOODWILL	TOTAL
CARRYING AMOUNT AT 12/31/2019	10.139	85	0	10.224
CARRYING AMOUNT AT 12/31/2020	17.795	89	0	17.884

The development projects shown concern the capitalized costs for the development of the technology Space and technology Air which form the technological foundation for the HAWK Air- and CONDOR-laser-terminals.

Borrowing costs per IAS 23 were recognized as construction/production costs from development projects in fiscal year 2020 in the amount of EUR 1,102 thousand.

Development work on the technology Air was completed in June 2020. Scheduled amortization of the capitalized development costs for this work thus commenced over a useful life of 15 years.

Capitalized development projects not yet utilized were impairment tested, as in the previous year. The recoverable amount for each cash-generating unit was determined applying calculated value in use based on projected cash flows.

This forecasting through the year 2035 reflects expectations regarding the respective markets, market share and product profitability. The forecasting premises are reviewed to ensure plausibility in light of historical developments and information from external sources.

The discount rate applied represents the weighted average cost of capital (WACC). This weighted average is determined via the capital asset pricing model (CAPM), taking account of present market expectations. To determine the risk-adjusted interest rate for impairment testing, specific peer group information is referenced to derive beta factors, capital structure data and cost of debt. The tax-and-risk-adjusted rates applied to discount cash flows for both the Space and Air business segments as cash-generating units are shown below.

in KEUR	2020		2019	
Cash-generating unit	Air	Space	Air	Space
After-tax discount rates	17,25%	17,25%	20,33%	20,33%

An impairment loss of EUR 156 thousand was recorded as of December 31, 2020 for the ground station project completed in fiscal 2019 due to discontinuation of the project.

Development costs for which the criteria per IAS 38.57 were not met were expensed in fiscal year 2020 in the amount of EUR 7,574 thousand (previous year: EUR 2,201 thousand). Out of the total development costs of EUR 14,449 thousand (previous year: EUR 8,287 thousand), development costs were capitalized in the amount of EUR 6,875 thousand (previous year: EUR 6,086 thousand).

Starting in fiscal year 2020, production-related administrative and warehousing expenses will no longer be included as production cost for capitalized development costs because it is becoming increasingly difficult and work-intensive to document and prove that these are production-related. Because of the changed estimate, capitalized development costs/own work capitalized were remeasured lower at EUR 1,005 thousand.

[14] PROPERTY, PLANT AND EQUIPMENT

COST

in KEUR	LAND AND BUILDINGS	TECHNICAL EQUIPMENT AND MACHINERY	OTHER OPERATING AND BUSINESS EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
Balance at 01/01/2019	0	1,052	477	1,346	2,875
Additions	88	434	461	1,003	1,988
Reclassifications	1,091	614	-27	-1,677	0
Disposals	0	0	-3	-188	-191
Balance at 12/31/2019 / 01/01/2020	1,179	2,100	908	484	4,671
Effect of movements in exchange rate	-5	0	-12	0	-17
Additions	81	1,789	1,976	3,266	7,113
Reclassifications	0	542	490	-1,032	0
Disposals	0	-129	-166	0	-295
BALANCE AT 12/31/2020	1,256	4,303	3,197	2,717	11,472

ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES

in KEUR	LAND AND BUILDINGS	TECHNICAL EQUIPMENT AND MACHINERY	OTHER OPERATING AND BUSINESS EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
Balance at 01/01/2019	0	303	120	0	424
Depreciation for the year	76	156	167	0	398
Impairment	0	0	0	188	188
Reclassifications	10	0	-10	0	0
Disposals	0	0	-6	-188	-194
Balance at 12/31/2019 / 01/01/2020	86	459	272	0	816
Effect of movements in exchange rate	0	0	-1	0	-1
Depreciation for the year	121	288	414	0	822
Disposals	0	-117	-126	0	-243
BALANCE AT 12/31/2020	206	630	559	0	1,395

CARRYING AMOUNT

in KEUR	LAND AND BUILDINGS	TECHNICAL EQUIPMENT AND MACHINERY	OTHER OPERATING AND BUSINESS EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
CARRYING AMOUNT AT 12/31/2019	1,094	1,641	636	484	3,855
CARRYING AMOUNT AT 12/31/2020	1,050	3,673	2,638	2,717	10,077

Investments in property, plant and equipment made in fiscal year 2020 in the amount of EUR 7,113 thousand (previous year: EUR 1,988 thousand) were primarily for expanding production capacity at the plants in Gilching and Oberpfaffenhofen, Germany. This involved among other things a significant number of installations in a rented production hall and efforts to set up of an additional production line. Other investments made concerned laboratory and testing equipment.

A substantial amount was also invested for expansion of the plant in Los Angeles, USA operated by Mynaric USA. The Company moved into the newly rented office facilities there in November 2020.

Borrowing costs per IAS 23 were recognized as construction/production costs from assets under construction in fiscal year 2020 in the amount of EUR 46 thousand.

In addition, government grants of EUR 8 thousand were factored into additions of assets under construction in the year under review, reducing cost (previous year: EUR 0 thousand).

[15] RIGHT-OF-USE ASSETS
COST

in KEUR	REAL ESTATE LEASES	OTHER LEASES	TOTAL
Balance at 01/01/2019	0	0	0
Additions	7,179	0	7,179
Balance at 12/31/2019 / 01/01/2020	7,179	0	7,179
Effect of movements in exchange rate	-77	0	-77
Additions	2,115	19	2,133
BALANCE AT 12/31/2020	9,216	19	9,235

ACCUMULATED DEPRECIATION

in KEUR	REAL ESTATE LEASES	OTHER LEASES	TOTAL
Balance at 01/01/2019	0	0	0
Depreciation for the year	479	0	479
Balance at 12/31/2019 / 01/01/2020	479	0	479
Effect of movements in exchange rate	-2	0	-2
Depreciation for the year	811	6	816
BALANCE AT 12/31/2020	1,287	6	1,293

CARRYING AMOUNT

in KEUR	REAL ESTATE LEASES	OTHER LEASES	TOTAL
CARRYING AMOUNT AT 12/31/2019	6,700	0	6,700
CARRYING AMOUNT AT 12/31/2020	7,929	13	7,942

The Group has leases for real estate and operating and office equipment which are utilized in business operations. Real estate leases usually have terms of 5 - 10 years. Lease terms for operating and office equipment are usually 3-5 years in duration. The Group's obligations under lease contracts are secured by the leased assets owned by the lessor. Numerous lease contracts feature extension and termination options, which are discussed in greater detail below.

The Group also has leases for real estate and operating and office equipment which have a term of twelve months or less, as well as leases for low-value office equipment. The Group applies the simplification options available for its current leases and leases with a low-value underlying asset.

The additions of EUR 2,155 thousand shown for the fiscal year (previous year: EUR 7,179 thousand) from real estate leases are for the newly rented production hall at the Company site in Oberpfaffenhofen, Germany and for the offices in Los Angeles, USA recently moved into.

The following amounts were recorded in profit and loss:

in KEUR	2020	2019
Amortization expense for right-of-use assets	816	479
Interest expenses for lease liabilities	138	92
Expenses from current lease liabilities	0	115
Expense from leases for low-value assets	5	18
TOTAL RECORDED THROUGH PROFIT & LOSS	959	703

The Group recorded cash outflows of 817 thousand euros for leases in 2020 (previous year: 660 thousand euros). The Group also reported non-cash additions to rights-of-use assets in the year under review in the amount of EUR 2,133 thousand (previous year: EUR 7,179 thousand) and to lease liabilities in the amount of EUR 1,965 thousand (previous year: EUR 7,179 thousand).

Some of the real estate leases held have extension options. When concluding new leases, the Group prefers to have extension options whenever possible to enjoy operational flexibility. These extension options are only exercisable by the Group, not by the lessor. The Group assesses on the commencement date whether there is sufficient likelihood that extension options will be exercised. The Group reviews whether there is sufficient likelihood of exercise of an extension option given the occurrence of a significant event or change in circum-stances which may precipitate a change in decision.

As of the reporting date there are no lease payments could potentially result from the exercising of extension options.

[16] INVENTORIES

Inventories increased year-over-year to EUR 5,230 thousand (previous year: EUR 2,878 thousand euros).

in KEUR	12/31/2020	12/31/2019
Raw materials and supplies	4,061	733
Work in progress	1,169	2,145
TOTAL	5,230	2,878

Advance payments made in the previous year in the amount of EUR 377 thousand shown under inventories are now shown under 'Other assets'. This has also been changed accordingly in the previous-year reporting to afford better comparability.

Write-downs were recorded on work in progress in the year under review in the amount of EUR 1,217 thousand (previous year: 29 thousand euros). Impairments were recorded on inventories of Hawk Air terminals and to the GS-200 and GS-400 ground stations, which were written down to net realizable value.

Starting in fiscal year 2020, production-related administrative and warehousing expenses will no longer be included as production cost for unfinished products/work in progress because it is becoming increasingly difficult and work-intensive to document and prove that these are production-related. Because of the changed estimate, unfinished products/work in progress was/were remeasured lower at EUR 501 thousand.

[17] TRADE RECEIVABLES

As of the reporting date, all trade receivables were in US dollars. The maximum default risk for receivables is their carrying amount at the reporting date.

in KEUR	12/31/2020	12/31/2019
Trade receivables	550	76
TOTAL	550	76

The change in expected credit losses is shown below.

in KEUR	2020	2019
Balance at 01/01	0	0
Additions	0	210
Write-offs of receivables	0	210
Reversals	0	0
BALANCE AT 12/31	0	0

Trade receivables are not interested-bearing and are generally due within 30 days.

Trade receivables recorded as of December 31, 2020 break down by due date horizon as follows.

in KEUR	NOT DUE	UP TO 30 DAYS	31 - 60 DAYS	61 - 90 DAYS	91 - 180 DAYS	MORE THAN 180 DAYS
Trade receivables	522	28	0	0	0	0

Trade receivables recorded as of December 31, 2019 break down by due date horizon as follows.

in KEUR	NOT DUE	UP TO 30 DAYS	31 - 60 DAYS	61 - 90 DAYS	91 - 180 DAYS	MORE THAN 180 DAYS
Trade receivables	0	0	0	0	76	0

[18] OTHER ASSETS

Noncurrent and current financial and non-financial assets break down as follows:

	12/31/2020		12/31/2019	
in KEUR	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
NON-FINANCIAL ASSETS				
Tax receivables	543	0	163	0
Deferred items	401	0	212	0
Advance payments	194	0	377	0
Other	124	0	14	0
Total	1,262	0	766	0
FINANCIAL ASSETS				
Security deposits	0	359	50	226
Deferred interest	0	0	65	0
Bank deposits with remaining term to maturity	0	0	771	0
Other	77	0	0	0
Total	76	359	886	226
SUM	1,339	359	1,652	226

The maximum default risk for financial assets is their carrying amount stated at the reporting date.

Bank deposits shown under 'Other financial assets' are only subject to insignificant risk of fluctuation in value.

Advance payments made in the previous year in the amount of EUR 377 thousand shown under inventories are now shown under 'Other assets'. This has also been changed accordingly in the previous-year reporting to afford better comparability.

[19] CASH AND CASH EQUIVALENTS

As of the reporting date the Company held cash and cash equivalents totaling EUR 43,198 thousand (previous year: EUR 8,914 thousand), consisting primarily of cash on hand and bank deposits. Bank deposits are only subject to insignificant risk of fluctuation in value. The balance of cash held corresponds to the balance stated in the cash flow statement.

[20] SHARE CAPITAL

As of January 1, 2020, the Company had share capital of EUR 2,904,304, consisting of 2,904,304 bearer shares with a nominal value of EUR 1.00.

As of the reporting date of December 31, 2020, share capital had increased to EUR 4,092,948.00 through the issuance of 1,188,644 bearer shares in total with a nominal value of EUR 1.00. The details regarding this stock issue were as follows:

- By resolution of the Management Board and the Supervisory Board of February 04, 2020, an increase of the Company's share capital by EUR 290,430.00 against cash contributions by issuing 290,430 new no-par value bearer shares with a pro rata amount of the share capital of EUR 1.00 per share was resolved, making partial use of the Authorized Capital 2019.
- By resolution of the Management Board and the Supervisory Board dated October 08, 2020, it was resolved to increase the Company's share capital by EUR 800,000.00 against cash contributions by partially utilizing the Authorized Capital 2020/I by issuing 800,000 new no-par value bearer shares with a pro rata amount of the share capital of EUR 1.00 per share.
- Pursuant to a Management Board resolution of July 31, 2020 approved by the Supervisory Board, the decision was made to issue convertible bonds in the amount of EUR 5,000,000.00 from Contingent Capital 2020/II. According to the terms of the convertible bond issue, one individual bond security with a nominal value of EUR 100,000.00, plus all unpaid accrued interest, is convertible into no-par value bearer shares representing EUR 1.00 of share capital each. This conversion right was exercised per a conversion declaration dated December 22, 2020. As a result, 50 individual bond securities were converted in the amount of EUR 5,000,000.00 and the one-time bond liquidation payment totaling EUR 500,000.00 plus all unpaid interest accrued through the date December 31 was exchanged for 98,214 new no-par value bearer shares representing EUR 1.00 of share capital which are dividend-entitled starting January 1, 2020.

(a) Contingent capital

On June 12, 2020 the resolution was passed at the shareholders meeting to form a Contingent Capital 2020/I, and Contingent Capital 2020/II and to reduce Contingent Capital 2017/I.

Contingent Capital 2017/I

The contingent capital 2017/I of August 07, 2017 amounts to EUR 1,500.00 after reduction and is now used to grant subscription rights to shares (stock options) to employees of the Company or its corporate affiliates.

Contingent Capital 2019

Contingent Capital 2019 was formed with an allocated amount of EUR 270,000.00 per an authorization approved at the shareholders meeting of July 2, 2019. The Management Board was thereby authorized to grant share subscription rights ("stock options") one or more times through the date December 31, 2022 (the "authorization period"), subject to Supervisory Board approval, as follows:

- authorization to grant up to 135,000 no-par value bearer or registered Company shares in total to members of the Company's Management Board and to managing directors of the Company's corporate affiliates ("stock option plan participants"), and
- authorization to grant up to 135,000 no-par value bearer or registered Company shares in total to employees of the Company or of the Company's corporate affiliates ("stock option plan participants").

Granting authorization accrues to the Supervisory Board regarding stock options for Management Board members.

Contingent Capital 2020/I

Contingent Capital 2020/I was formed with an allocated amount of EUR 34,473.00 per an authorization approved at the shareholders meeting of June 12, 2020. The Management Board was thereby authorized to grant share subscription rights ("stock options") one or more times through the date December 31, 2025 (the "authorization period"), subject to Supervisory Board approval, as follows:

- authorization to grant up to 14,473 no-par value bearer or registered Company shares in total to members of the Company's Management Board and to managing directors of the Company's corporate affiliates ("stock option plan participants"), and
- to grant up to 20,000 no-par value bearer or registered Company shares in total to employees of the Company or of the Company's corporate affiliates ("stock option plan participants").

Granting authorization accrues to the Supervisory Board regarding stock options for Management Board members.

Contingent Capital 2020/II

Per authorization approved at the shareholders meeting of June 12, 2020, Contingent Capital 2020/II was formed increasing Company share capital on a contingent basis by up to EUR 1,277,893.00 through the issuance of up to 1,277,893 new no-par value bearer shares.

Subject to Supervisory Board approval, the Management Board is authorized to issue bearer convertible bonds and/or warrant bonds one or more times through the date July 2, 2025 with a nominal amount of up to EUR 150 million in total (hereinafter collectively "bonds") with a maximum 20-year maturity, granting holders of the bonds conversion or warrant rights to new Company shares representing up to EUR 1,277,893.00 of share capital in total, in accordance with the offering terms of the convertible or warrant bond/s. The bonds may be issued one or more times, the entire volume all at once or portions thereof, and may also be issued in different tranches simultaneously.

The amount of Contingent Capital 2020/II as of December 31, 2020 was EUR 1,179,679.00 due to conversion of the convertible bonds in fiscal year 2020.

(b) Authorized capital

At the shareholders meeting of June 12, 2020, a previous authorization was canceled pursuant to which the Management Board was empowered to sell stock for cash or non-cash consideration one or more times through the date July 1, 2024, thereby increasing Company share capital by up to EUR 1,061,722.00 in total through the issuance of up to 1,061,722 new bearer shares (Authorized Capital 2019), subject to Supervisory Board approval. This was replaced by an authorization empowering the Management Board, subject to Supervisory Board approval, to sell stock for cash or non-cash consideration one or more times through the date June 11, 2025, increasing Company share capital by up to EUR 1,597,367.00 in total through the issuance of up to 1,597,367 new, no-par value bearer shares (Authorized Capital 2020).

[21] CAPITAL RESERVES

Capital reserves rose substantially in fiscal year 2020 from EUR 45,368 thousand to EUR 112,417 thousand. This increase of EUR 69,455 thousand was due to the premium realized from the stock offering in the year under review which increased share capital.

Also, EUR 5,402 thousand was realized through conversion of a convertible bond on December 30, 2020.

Share issue cost in the amount of EUR 3,397 thousand (previous year: EUR 581 thousand) were deducted from the balance of capital reserves. An amount of EUR 992 thousand was added to capital reserves in the 2020 re-reporting year for share-based payments (previous year: EUR 105 thousand).

[22] CURRENCY DIFFERENCES

Cumulative currency differences of EUR 314 thousand (previous year: EUR -53 thousand) include unrealized gains/losses of EUR 366 thousand from currency translation (previous year: EUR -43 thousand).

[23] OTHER PROVISIONS

The change in current and noncurrent other provisions is shown below.

in KEUR	01/01/2020	UTILIZED	REVERSED	ADDITIONS	12/31/2020
Personnel-related	1,070	1,107	38	2,970	2,970
Litigation	150	2	148	290	290
Financial accounting and auditing costs	90	47	35	209	217
Restoration obligations	0	0	0	164	164
Supervisory board member compensation	45	15	0	81	111
Outstanding invoices	102	92	8	98	99
Warranties	20	0	14	2	8
Other	80	0	0	731	736
TOTAL	1,557	1,263	243	4,545	4,595
OF WHICH NON-CURRENT					
Restoration obligations	0	0	0	164	164
Warranties	20	0	14	2	8
Other	5	0	0	0	6
TOTAL	25	0	14	166	178

[24] CONTRACT LIABILITIES

Contract liabilities in the amount of EUR 299 thousand concern payments made by Mynaric customers in fiscal year 2020 which are realizable as revenue in future periods in accordance with IFRS 15 (previous year: EUR 0 thousand).

[25] OTHER FINANCIAL AND NON-FINANCIAL LIABILITIES

Non-current and current financial liabilities break down as follows:

in KEUR	12/31/2020	12/31/2019
NON-FINANCIAL LIABILITIES		
Advance payments received	897	0
Social security and payroll tax liabilities	381	171
Other	5	1
FINANCIAL LIABILITIES		
Other financial liabilities	25	5
TOTAL	1,308	177

[26] ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

The financial instruments held break down by classification as follows:

	12/31/2020		12/31/2019	
in KEUR	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
AMORTIZED COST (AMC)				
Other financial assets	77	359	886	226
Cash	43,198	0	8,914	0
Trade receivables	550	0	76	0
TOTAL	43,825	359	9,786	226
FINANCIAL LIABILITIES AT AMORTIZED COST (FLAC)				
Trade payables	1,710	0	1,207	0
Lease liabilities	1,156	6,800	664	6,080
Other financial liabilities	25	0	5	0
TOTAL	2,891	6,800	1,876	6,080

Due to their short-term nature, the carrying amount of other financial assets, trade receivables and cash is assumed to be the same as their fair value.

The carrying value of non-current financial assets classified as carried at AmC corresponds roughly to their fair value. These include longer time deposits and non-interest-bearing security deposits. The current low-interest-rate environment is the reason why there is hardly any difference versus fair value.

The carrying amount of financial liabilities at amortized cost (FLAC), such as trade payables and other financial liabilities, corresponds to their fair value due to their short-term nature. Lease liabilities were discounted as required under IFRS 16.

Net income breaks down by measurement classification as follows:

2020, in kEUR		OTHER INCOME AND EXPENSE/PROFIT AND LOSS ITEMS	
Financial assets	AmC	Measured at amortized cost	0
2019, in kEUR		SOTHER INCOME AND EXPENSE/PROFIT AND LOSS ITEMS	
Financial assets	AmC	Measured at amortized cost	210

Trade receivables and cash and cash equivalents are subject to the measurement requirements per IFRS 9, as a rule. As in the previous year, credit risk on all bank balances is classified as minimal because the balances are only on deposit with banks with an “investment grade” credit rating. The amount of any valuation adjustment would be immaterial, thus none was recorded.

Due to the customer structure, trade receivables are classified as being subject to minimal default risk. Expected credit losses per IFRS 9 do not have to be recorded for trade receivables due to the immaterial expected effect.

Other financial assets as of the reporting date primarily concern security deposits for real estate leases taken out by the Mynaric Group. In the previous year this position included fixed-interest cash instruments in the amount of EUR 771 thousand, which in the year under review were redeemed in full.

Default risk on other financial assets is classified as minimal in view of minimal non-payment risk, and it is believed that the debtors will be able to meet their contractual payment obligations.

VII. NOTES TO THE STATEMENT OF CASH FLOWS

The stated balance of cash held corresponds to the amount of cash and cash equivalents as of the balance sheet date, consisting primarily of cash on hand and bank deposits.

The statement of cash flows states inflows and outflows of cash from ordinary operations and from investment and financing activities.

Reconciliation of debt movements to cash flows from financing activities

The reconciliation statement of debt to cash flow from financing activities required pursuant to IAS 7.44 is shown below.

in KEUR	BALANCE AT 01/01/2020	AFFECT-ING CASH FLOW	NOT AFFECTING CASH FLOW					BALANCE AT 12/31/2020
			ADDI-TIONS/ DIS-POSALS	UNPAID INTERESTS	FX	FAIR-VALUE	RECLASSI-FICATIONS	
Convertible bonds	0	5,000	0	500	0	0	-5,500	0
Current borrowings	0	0	0	0	-78	0	0	0
Lease liabilities	6,744	-679	1,965	0	-78	0	0	7,956
TOTAL	6,744	4,326	1,965	500	-78	0	-5,500	7,956

Reclassification of the convertible bond issue concerns its conversion into shares of Mynaric AG, not affecting cash flow. See Notes [20] and [21] for further information.

in KEUR	BALANCE AT 01/01/2019	AFFECT-ING CASH FLOW	NOT AFFECTING CASH FLOW					BALANCE AT 12/31/2019
			ADDI-TIONS/ DIS-POSALS	UNPAID INTERESTS	FX	FAIR-VALUE	RECLASSI-FICATIONS	
Lease liabilities	0	-435	7,179	0	0	0	0	6,744
TOTAL	0	-435	7,179	0	0	0	0	6,744

VIII. FINANCIAL RISK MANAGEMENT

CAPITAL RISK MANAGEMENT

The Group's primary financial objectives include increasing the enterprise value on a sustained basis, ensuring solvency at all times so as to ensure viability of the Company as a going concern and maintaining an optimal capital structure. Ensuring sufficient available liquidity is key objective. In order to effectively attain these objectives management requires integrated controlling structures and mechanisms that provide key performance data for analysis in monthly reviews of the accounts, in which various balance sheet positions and the change in equity are focused on as bases for critical entrepreneurial decision-making. The equity ratio as of December 31, 2020 was at 81.7% (previous year 72.0%). This increase primarily reflects depositing to paid-in capital and capital re-serves of the proceeds of stock issues conducted in fiscal year 2020. The equity ratio was calculated as the ratio of total equity to total assets. There have been no changes in the Group's overall strategy versus 2019.

LIQUIDITY RISK

Effectively managing liquidity risk requires holding sufficient cash and cash equivalents to meet debt and payment obligations as they come due. Company management utilizes rolling cash flow forecasting to project the amount of cash and cash equivalents Group companies will require. Liquidity management is done centrally for the group

companies, for the most part. To ensure solvency and the security of the Group as a going concern, it is critical that the updated earnings and cash management estimates for the years 2021 and 2022 be attained, and that adequate debt and/or equity financing are secured. The stock issues conducted in the fiscal year under review and the convertible bond issue improved liquidity substantially, reducing liquidity risk accordingly. These being the parameters, the Company does have sufficient liquidity to cover its financing needs for the time being.

The remaining contract terms of financial liabilities held as of the reporting date and the associated estimated interest payments are shown below. These are undiscounted gross amounts that include contractual interest payments, shown before any netting/offsetting.

12/31/2020

in KEUR	CARRYING AMOUNT	DUE IN LESS THAN 1 YEAR	DUE IN 1 TO 2 YEARS	DUE IN 3 TO 5 YEARS	DUE IN MORE THAN 5 YEARS	TOTAL
Trade payables	1,710	1,710	0	0	0	1,710
Lease liabilities	7,956	1,168	1,191	2,392	3,849	8,600
Other current financial liabilities	25	25	0	0	0	25
TOTAL	9,691	2,903	1,191	2,392	3,849	10,335

12/31/2019

in KEUR	CARRYING AMOUNT	DUE IN LESS THAN 1 YEAR	DUE IN 1 TO 2 YEARS	DUE IN 3 TO 5 YEARS	DUE IN MORE THAN 5 YEARS	TOTAL
Trade payables	1,207	1,207	0	0	0	1,207
Lease liabilities	6,744	791	791	1,582	4,217	7,381
Other current financial liabilities	5	5	0	0	0	5
TOTAL	7,956	2,003	791	1,582	4,217	8,593

CREDIT RISK

The level of credit risk exposure is viewed as low overall. The Company is exposed to a certain credit risk at all times due to the possibility of deleterious economic circumstances abruptly occurring that lead to defaults. Credit risk is assessed based on current information, projections and estimates made by the Group based thereupon.

Trade receivables are classified as having low default risk in view of the customer structure and customer payment behavior. The Company's customers are for the most part large corporations with robust credit. All customers nevertheless undergo a credit check before opening a business relationship, thus no Group companies insure their receivables.

Credit risk on receivables from public-sector customers shown under 'other assets' is deemed to be extremely low. As of December 31, 2020, the Group had receivables from public-sector customers in the amount of EUR 39 thousand (previous year: EUR 0 thousand).

Credit risk is also classified as minimal on security deposit receivables shown under financial assets because the landlords are exclusively real estate firm with good credit.

As in the previous year, credit risk on all bank balances, including the fixed-interest investments shown as other financial assets, is classified as minimal because these balances are exclusively on deposit with banks with an "investment grade" credit rating. In addition, the USD cash instruments in the amount of EUR 771 thousand reported as of December 31, 2019 were redeemed in full in fiscal year 2020. The amount of any valuation adjustment would be immaterial, thus none was recorded.

FOREIGN CURRENCY RISK

Conducting business transactions in foreign currencies means that exchange rate movements can have an effect on the consolidated statement of financial position and statement of income. Risk exposure arises for example from purchases and sales transacted by an operating unit in currencies other than the unit's functional currency.

Financial instruments denominated in EUR, USD, CHF and RMB were held as of the reporting dates.

The strengthening or weakening of USD, CHF or RMB against other currencies would have affected the measured values of financial instruments in foreign currencies as shown below, these amounts affecting equity and consolidated net income as of December 31. The projection is based on the assumption that interest rates and all other influencing factors remain constant. Effects on sales and purchasing versus forecasts are not considered.

in KEUR	2020 EXCHANGE RATE MOVEMENT		2019 EXCHANGE RATE MOVEMENT	
	5% INCREASE	5% DECREASE	5% INCREASE	5% DECREASE
IMPACT ON CONSOLIDATED NET INCOME				
EUR	-262	262	-173	173
USD	35	-35	116	-116
CHF	-2	2	0	0
RMB	1	-1	3	-3
TOTAL	-228	228	-54	54
IMPACT ON CONSOLIDATED EQUITY				
EUR	-233	233	-167	167
USD	35	-35	116	-116
CHF	-2	2	0	0
RMB	1	-1	3	-3
TOTAL	-199	199	-48	48

The primary exchange rates applied were:

	AVERAGE RATE		SPOT RATE ON REPORTING DATE	
	2020	2019	2020	2019
EUR				
USD	0.87322	0.88258	0.81540	0.89160
CHF	0.93395	0.90446	0.92390	0.92130
RMB	0.12689	0.12747	0.12481	0.12796

INTEREST RATE RISK

As of the reporting date the Group had no interest-bearing financial assets or liabilities. Accordingly, there is no exposure to special interest rate risks.

IX. OTHER DISCLOSURES
SEGMENT REPORTING

In accordance with IFRS 8 (Operating segments), segments are defined using the "management approach". Segments are defined and information on these segments is thus disclosed according to internal criteria used by the chief operating decision makers (CODMs) to allocate resources and evaluate segment performance. The CODMs at Mynaric AG are the Management Board members who decide regarding the allocation of resources and assess performance on the basis of reporting submitted to the Management Board. The segment reports below were prepared in accordance with this definition. Customer orders, revenue and EBIT are the primary performance metrics.

HAWK Air terminals are reported on as part of the Air segment. CONDOR terminals are reported on in the Space segment.

The segment results for fiscal 2020 are shown below.

in KEUR	FISCAL YEAR 2020			
	AIR	SPACE	NON-SEGMENT-SPECIFIC	GROUP
Revenue	589	90	0	679
Change in inventories of finished goods and work in progress	-55	619	-1,540 ²	-976
Other own work capitalized	2,048	7,089	0	9,137
Other operating income	150	451	0	601
Output	2,732	8,248	-1,540	9,441
Cost of materials	-2,290	-3,931	0	-6,221
Personnel expenses	-4,832	-11,851	0	-16,683
Depreciation and amortisation of other intangible assets and property, plant and equipment	-656	-1,205	-156 ³	-2,017
Other operating expenses	-1,521	-4,263	-443 ⁴	-6,227
Operating profit/loss (EBIT)	-6,567	-13,002	-2,139	-21,707
Interest and similar income				18
Interest and similar expenses				-1,055
Financial result				-1,037
Earnings before taxes (EBT)				-22,744
Income taxes				0
CONSOLIDATED NET LOSS FOR THE YEAR				-22,744

² Including impairments of the GS-200 and GS-400 ground stations shown under inventories.
³ Including impairments on the ground station technology.
⁴ Including expenses for preparation and auditing of the annual financial statements and for Supervisory Board member compensation.

The segment results for fiscal 2019 are shown below.

FISCAL YEAR 2019				
in KEUR	AIR	SPACE	NON- SEGMENT- SPECIFIC	GROUP
Revenue	0	444	0	444
Change in inventories of finished goods and work in progress	247	49	231 ⁵	527
Other own work capitalized	2,553	3,632	0	6,185
Other operating income	297	437	0	734
Output	3,096	4,562	231	7,890
Cost of materials	-925	-1,865	0	-2,790
Personnel expenses	-3,566	-4,613	0	-8,179
Depreciation and amortisation of other intangible assets and property, plant and equipment	-476	-658	-41 ⁶	-1,175
Other operating expenses	-1,303	-1,945	-178 ⁷	-3,426
Operating profit/loss (EBIT)	-3,175	-4,518	12	-7,680
Interest and similar income				105
Interest and similar expenses				-92
Financial result				13
Earnings before taxes (EBT)				-7,667
Income taxes				0
CONSOLIDATED NET LOSS FOR THE YEAR				-7,667

⁵ Including impairments of the GS-200 and GS-400 ground stations shown under inventories.
⁶ Including impairments of the ground station technology.
⁷ Including expenses for preparation and auditing of the annual financial statements and for Supervisory Board member compensation.

GEOGRAPHIC INFORMATION

Regarding the geographical region data, revenues are allocated to countries applying to the country of destination principle. Non-current assets are accounted for at the location of the asset in question.

The revenue breakdown by country is shown below:

in KEUR	AIR SEGMENT	
	2020	2019
Canada	122	0
USA	467	0
TOTAL	589	0

in KEUR	SPACE SEGMENT	
	2020	2019
UK	0	114
China	0	330
Belgium	90	0
TOTAL	90	444

A single customer of the Mynaric Group accounts for 69% of total revenue (previous year: 74%), generating revenue of EUR 467 thousand (previous year: EUR 330 thousand).

Non-current assets break down by region as follows:

in KEUR	2020	2019
GERMANY		
Intangible assets	17,884	10,224
Property, plant and equipment	9,851	3,855
Right-of-use assets	6,886	6,700
Total	34,621	20,779
USA		
Property, plant and equipment	226	0
Right-of-use assets	1,056	0
Total	1,282	0
TOTAL	35,903	20,779

CONTINGENT LIABILITIES, GUARANTEES AND OTHER FINANCIAL OBLIGATIONS

The Group may be subject to litigation from time to time as part of the ordinary course of business. In the opinion of the Company's Management Board and its legal advisors, there are no potentially existing claims which could materially impact the Group's net assets, financial position or results of operations beyond the litigation risks already reflected by the recorded provisions.

As in the previous year, the Company had no liability under guarantees as of the reporting date.

Other financial obligations existing as of December 31, 2020 were as follows:

	12/31/2020			
in KEUR	UP TO 1 YEAR	1 TO 5 YEARS	> 5 YEARS	TOTAL
Real estate leases	132	654	304	1,090
Software and licenses	1,066	2,235	0	3,301
Other	85	7	0	92
TOTAL	1,283	2,896	304	4,483

Property rental obligations consist of contractually allocatable portion of rent-related expenses. Future payments for operating lease obligations also concern related expenses under the respective contracts. The significant increase in financial obligations for software and licenses versus the previous year reflects an SAP implementation and usage contract that had been signed as of the reporting date but only starts in fiscal year 2021. Other obligations principally involve service contracts.

The Company has additional financial obligations from purchase orders as follows:

in kEUR	12/31/2020	12/31/2019
Open orders	8,496	5,841

ERROR CORRECTIONS

The Group determined in 2020 that deferred tax assets for tax loss carryforwards in connection with stock issue costs in fiscal years 2017 and 2019 had been incorrectly written down through profit and loss. The share issue costs should have been recorded directly in equity.

The tables below show the effects on the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 01/01/2019

	ERROR CORRECTION EFFECTS		
in KEUR	PREVIOUSLY REPORTED	CORRECTION AMOUNT	ADJUSTED AMOUNT
Capital reserves	36,689	-645	36,044
Retained loss	-16,346	645	-15,701
Equity	22,037	0	22,037

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 01/01/2019

	ERROR CORRECTION EFFECTS		
in KEUR	PREVIOUSLY REPORTED	CORRECTION AMOUNT	ADJUSTED AMOUNT
Capital reserves	46,174	-806	45,368
Retained loss	-24,175	806	-23,369
Equity	24,851	0	24,851

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 12/31/2019

	ERROR CORRECTION EFFECTS		
in KEUR	PREVIOUSLY REPORTED	CORRECTION AMOUNT	ADJUSTED AMOUNT
Income tax expense	-161	161	0
Consolidated net loss for the year	-7,828	161	-7,667
Comprehensive loss for the year	-7,871	161	-7,710

RELATED PARTY DISCLOSURES

Pursuant to IAS 24 (Related Party Disclosures), transactions with persons and entities that are controlled by the reporting entity or could control the reporting entity must be disclosed unless these have already been included in the consolidated financial statements as consolidated entities.

In addition to the members of the Management and Supervisory Boards and the Group subsidiaries, related parties include:

- MCConsult GbR, Gilching (formerly Adelanto management services s.I.)

Former Management Board member Mr. Peschko, who left the Company in fiscal year 2020, is a partner of this firm, which provides consulting services for Mynaric Group companies.

Transactions with related-party individuals and companies are conducted at market-based, arm's length terms. Expenses of EUR 825 thousand were recorded from transactions with related-party firms in the fiscal year under review (previous year: EUR 274 thousand). Other provisions include obligations from transactions with related companies unsettled as of the balance sheet date in the amount of EUR 591 thousand (previous year: EUR 43 thousand).

SUBSIDIARIES

The Mynaric consolidated financial statements include all subsidiaries in which the parent company, Mynaric AG, indirectly or directly holds majority voting rights.

COMPANY NAME, REGISTERED OFFICE	SHAREHOLDING PERCENTAGE IN %	EQUITY IN KEUR	NET INCOME FOR THE YEAR IN KEUR
Mynaric Lasercom GmbH, Gilching	100	28,633	-11,955
Mynaric Systems GmbH, Gilching	100	436	-2,723
Mynaric USA, Inc., Los Angeles (USA)	100	-3,391	-444

NUMBER OF EMPLOYEES

The Mynaric Group had an average 148 employees in the fiscal year under review (previous year: 82 employees). A breakdown of number of employees per individual Mynaric Group company is shown below:

	2020	2019
Mynaric AG	25	19
Mynaric Lasercom GmbH	108	56
Mynaric Systems GmbH	11	3
Mynaric USA	4	5
TOTAL	148	82

A breakdown of Mynaric Group employee numbers by individual departments is shown below.

	2020	2019
Technology development	65	16
Product development & sales	29	26
Production & supply chain management	28	20
Administration (excl. management)	25	17
Communications & marketing	1	3
TOTAL	148	82

As of December 31, 2020, the Mynaric Group had 186 employees, including the Management Board members and managing directors, (previous year: 99 employees). A breakdown of number of employees per individual Mynaric Group company is shown below:

	2020	2019
Mynaric AG	33	23
Mynaric Lasercom GmbH	139	69
Mynaric Systems GmbH	7	5
Mynaric USA	7	2
TOTAL	186	99

CORPORATE GOVERNANCE BOARDS

The members of the Company's Management Board are:

- Bulent Altan, CEO, Master of Science in Aerospace; Playa Vista, California
- Starting September 18, 2020: Stefan Berndt-von Bülow, CFO, Diplom Kaufmann (graduate business degree); Tutzing, Germany
- Through July 10, 2020: Hubertus Edler von Janecek, Dipl.-Ing. (graduate engineering degree); Munich, Germany
- Through May 27, 2020: Dr. Wolfram Peschko, CFO and Administration Officer, Dr.rer.nat. (PhD); Gauting, Germany

The Company's Supervisory Board members are:

- Dr. Manfred Krischke, Chair; CEO, Cloudeo AG
- Dr. Gerd Gruppe, Deputy Chair; Board Member DLR (retired)
- Dr. Thomas Billeter, regular Board member; investor and business angel
- Peter Müller-Brühl, regular Board member; COO GreenCom Networks AG
- Starting June 12, 2020: Mr. Thomas Hanke, regular Board member, Diplom Kaufmann (graduate business degree); M&A consultant
- Through June 12, 2020: Mr. Thomas Mayrhofer, regular Board member; Attorney, partner of law firm Pinsent Masons Germany LLP

BOARD MEMBER COMPENSATION

Management Board members have non-performance-related and performance-related pay components as part of their compensation. Non-performance-based pay consists of base salary plus fringe benefits, which from year to year can vary individually and depend on certain events. There are two performance-based pay elements: a bonus subject to targets agreed with the Supervisory Board annually and a special strategic incentive. Mynaric additionally grants compensation to Management Board members and other selected employees in the form of stock options under the 2017, 2019 and 2020 stock option programs. Under these programs stock options were issued to Management Board members in 2019 and 2020 via which Mynaric stock shares can be acquired. For detailed information on stock options granted see section [12].

Total compensation paid to members of the Management Board for fiscal year 2020 came to EUR 882 thousand (previous year: EUR 736 thousand), consisting of EUR 357 thousand in variable pay components (previous year: EUR 155 thousand) and EUR 525 thousand in fixed pay components (previous year: EUR 581 thousand). In fiscal 2020, 47,000 stock options were granted to members of the Management Board (previous year: 92,000 stock options) with a total fair value of EUR 1,086 thousand (previous year: EUR 1,060 thousand). In the 2020 financial year, former members of the Board of Management were granted continued salary payments and severance payments of EUR 948 thousand. Of this amount, EUR 646 thousand has been accrued as of December 31, 2020.

Total compensation paid to members of the Supervisory Board for fiscal year 2020 came to EUR 130 thousand (previous year: EUR 63 thousand), including EUR 40 thousand paid to the Supervisory Board Chair (previous year: EUR 20 thousand), EUR 30 thousand paid to the Deputy Chair (previous year: EUR 15 thousand), and EUR 20 thousand in annual compensation for the other Supervisory Board members respectively (previous year: 10 thousand). There were no variable pay components. Provisions for Supervisory Board member compensation totaled EUR 111 thousand and as of December 31, 2020 (previous year: EUR 45 thousand).

SHARES OWNED BY GOVERNANCE BOARD MEMBERS

According to disclosures on file, governance board members held shares as follows:

Number of shares	2020	2019	CHANGE
Dr. Wolfram Peschko	210,089	210,089	0
Peter Müller-Brühl	4,445	4,445	0

AUDITOR FEES AND SERVICES

The Mynaric Group expensed fees for auditor services in the fiscal year under review as follows:

in KEUR	2020	2019
Auditing fees	77	89
Other auditing-related services	67	0
TOTAL	144	89

EVENTS AFTER REPORTING DATE

Joachim Horwath was appointed to the Management Board by Supervisory Board resolution of February 17, 2021.

The economic impact from the coronavirus pandemic felt by individual countries, which will ultimately affect Mynaric AG and its subsidiaries, depends to a very degree on how rapidly measures effective for containing the further spread of the virus are imposed. Based on information currently available, it is extremely difficult to estimate how long the business sector will continue suffering under the effects of the pandemic or how severe the economic impact may become. Accordingly, it is impossible at this time to accurately predict what financial and economic consequences Mynaric AG and its subsidiaries may be facing. Please refer as well to the Management Report, specifically section 1, Risk Report, and section 3, Forecast.

Gilching, March 31, 2021

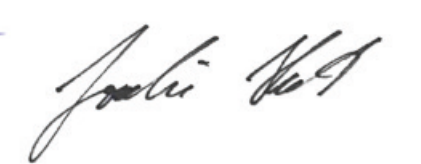
Bulent Altan
CEO



Stefan Berndt-von Bülow
CFO



Joachim Horwath
CTO



INDEPENDENT AUDITOR'S REPORT

To Mynaric AG, Gilching

AUDIT OPINIONS

We have audited the consolidated financial statements of Mynaric AG, Gilching, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the financial year from 01 January to 31 December 2020, and the notes to the consolidated financial statements including a summary of significant accounting policies. In addition, we have audited the group management report of Mynaric AG, Gilching for the financial year from 01 January to 31 December 2020.

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

- the accompanying consolidated financial statements comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § (Article) 315e HGB (Handelsgesetzbuch: German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 01 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. (Paragraph) 3 Satz (Sentence) 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and the group management report in accordance with § 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 Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities 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 consolidated financial statements and group management report.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Executive Directors are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion.

- 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 Group’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 consolidated financial statements and in the group 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 Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Perform audit procedures on the prospective information presented by the executive directors in the group 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.

Munich, March 31, 2021

RSM GmbH
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Zelger
German Public Auditor (Wirtschaftspruefer)

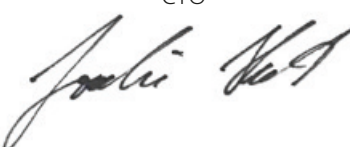
Schön
German Public Auditor (Wirtschaftspruefer)

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge the reporting in the consolidated statements of Mynaric AG for the period from January 1 through December 31, 2020 provides, in accordance with the applicable accounting principles, a true and fair view of the results of operations, financial position, and net assets and that the course of business including the business result and the situation of the group are presented in such a way as to convey a true and fair view and that the significant opportunities and risks of the expected development of the group are described.

Gilching, March 31, 2021

The Management Board

Bulent Altan CEO	Stefan Berndt-von Bülow CFO	Joachim Horwath CTO
		

IMPRESSUM

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