2019 ANNUAL REPORT

mynaric

Flight Terminals

Ground Terminals

Introducing the **Mynaric Product Portfolio**

HAWK AIR

Flight Terminal for Air Operations

HAWK SPACE

Flight Terminal for Inter-Satellite and Satellite-to-Ground Operations

CONDOR

Flight Terminal for Inter-Satellite Operations

RHINO

Ground Terminal for Space Operations

ARMADILLO

Ground Terminal for Air Operations

No other company in the world can offer this range of laser communication products at the maturity and at the cost that Mynaric can.

It is an unparalleled line-up of flight and ground terminals, 10 years in the making, designed to deliver high-speed, long distance wireless data transfer in space, in the air and from both to the ground.

Each product in this game-changing portfolio has been designed to the very highest of specifications; developed to change the very nature of connectivity from the air and space. Serially produced to guarantee reduced costs and available with short lead times to ensure aerospace networks enable global connectivity.

We believe this unique laser communication product range make us the best placed company in the aerospace connectivity market – indeed, really the *only* company – positioned to provide the rapidly growing market with scalable, low-cost, high spec laser communication products.

TECHNOLOGY HIGHLIGHTS

Ultra-high-data rates and link distances
Up to 10 Gigabit data transfer per second (Gbps) across 500 kilometers

Secure data transmission
Highly resistant to tapping, jamming, spoofing and electro-magnetic interference (EMI) compared to RF systems

Low weight
At under 6 kg ideal for short-, medium- and endurance-class UAS

Integrated inertial navigation system
Fully integrated positioning system

AREAS OF OPERATION

- Fixed and mobile inter-platform communication with no latency (data and image transmission)
- Airborne broadband internet coverage
- UAS/UAV network control and Beyond Visual Line of Sight remotely controlled aircraft connectivity

KEY FEATURES

- Hyperhemispherical field of regard
- No RF signature during communication
- Low mass, weight and power consumption
- Built to withstand high vibration, extended temperatures and harsh environment

Flight Terminal

HAWK AIR

Laser Communication Terminal for Air Operations

The HAWK AIR laser communication terminal is designed with the most advanced sensor technology available and – twinned with a small size, weight and power (SWaP), long link distances and high data rates – is optimized for air-to-air and air-to-ground scenarios.

Flight Terminal

HAWK SPACE

Laser Communication Terminal for Inter-Satellite & Satellite-to-Ground Operations

Our HAWK SPACE terminal has been designed in response to the requirements of some unique constellations entering the market.

We do not want to share details just yet but **we are seeing some unique opportunities out there** that require something special.

More details soon. Stay tuned!

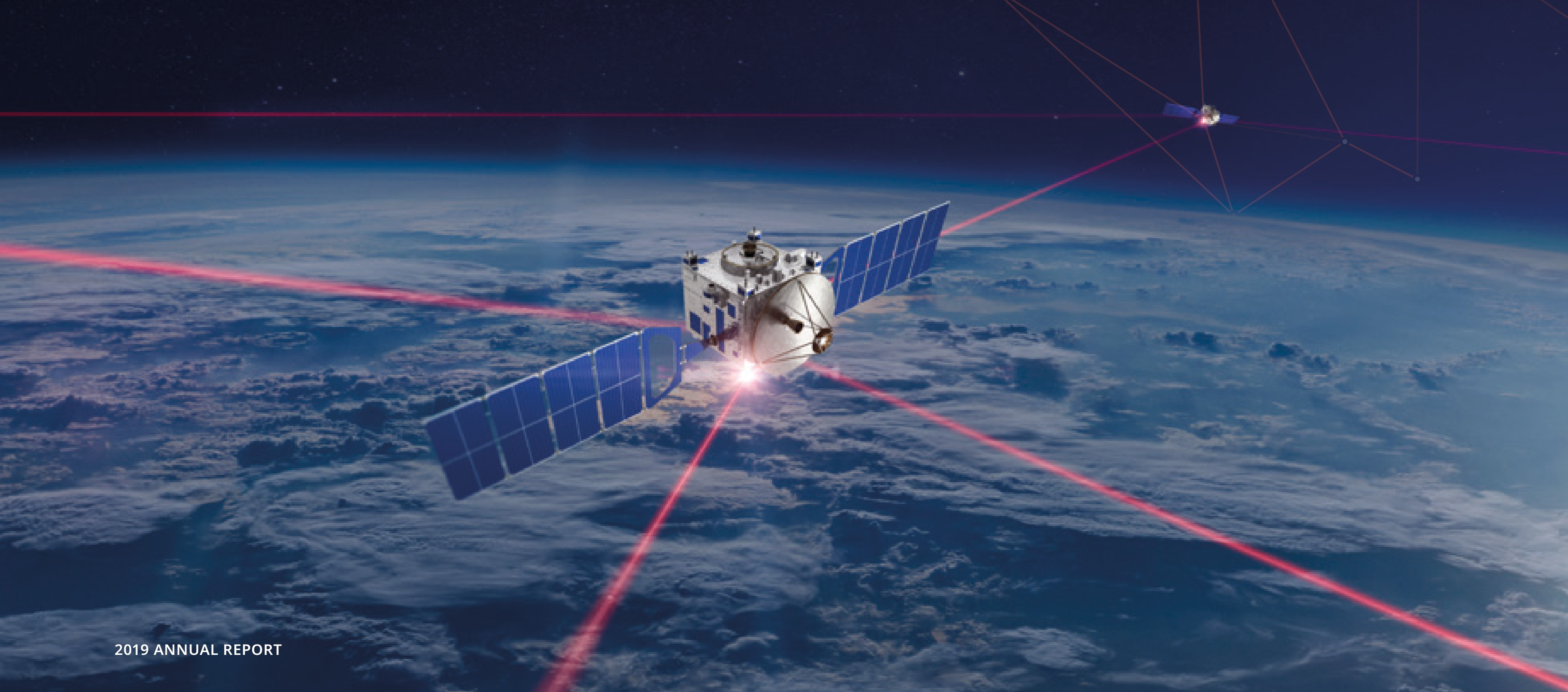
Flight Terminal

CONDOR

Laser Communication Terminal for Inter-Satellite Operations

The CONDOR laser communication terminal provides backbone inter-satellite connectivity in low Earth orbit (LEO).

It is capable of establishing links for inter-plane scenarios independently of satellite motion (with Coarse Pointing Assembly) and intra-plane connections (without Coarse Pointing Assembly).



TECHNOLOGY HIGHLIGHTS

Ultra-high-data rates and link distances
Link distances of just under 8,000 km and data rates of 10 to 20 Gigabits per second; 100 Gbps in next generation

Secure data transmission
Highly resistant to tapping, jamming, spoofing and electro-magnetic interference (EMI) compared to RF systems

License-free
No ITU or FCC frequency coordination required for the laser channels

Durable
Built for 7 years lifetime in LEO polar orbit

AREAS OF OPERATION

- Inter-satellite communication links in low Earth orbit (LEO)

KEY FEATURES

- Full in-orbit self-calibration
- Layout and build allow for smooth integration into satellites
- Power output and data rate can be adapted for various demands without significantly impacting SWaP
- Designed to withstand high vibration, extended temperature ranges, and vacuum (or near-vacuum) environments

Ground Terminal

RHINO

Laser Communication
Ground Terminal for Satellite Operations

The RHINO ground terminal provides for unprecedented high-speed and high-throughput downlink and uplink for satellites in low Earth orbit (LEO).

TECHNOLOGY HIGHLIGHTS

Ultra-high-data rates and link distances
Downlink distances up to 1,400 km between satellite and ground at up to 10 Gigabits per second (Gbps), 100 Gbps in the near future

Secure data transmission
Highly resistant to tapping, jamming, spoofing and electro-magnetic interference (EMI) compared to RF systems

License-free
No ITU or FCC frequency coordination required for the laser channels

AREAS OF OPERATION

- Satellite access point to terrestrial network infrastructure

KEY FEATURES

- Integrated positioning system
- Fully robotic (remote) operation
- Remote system health status
- Designed to withstand wide temperature range during operation

Ground Terminal

ARMADILLO

Laser Communication
Ground Terminal for Air Operations

The ARMADILLO ground terminal is optimized for bidirectional air-to-ground airborne data communication applications.

TECHNOLOGY HIGHLIGHTS

Ultra-high-data rates and link distances
Downlink distances up to 50 km between fixed and mobile air-borne platforms and the ground at up to 10 Gigabit per second (Gbps)

Secure data transmission
Highly resistant to tapping, jamming, spoofing and electro-magnetic interference (EMI) compared to RF systems

License-free
No ITU or FCC frequency coordination required for the laser channels

Portable and easy to install
The terminal weighs just 70 kg

AREAS OF OPERATION

- Fixed and mobile interplatform communication with no latency (data and image transmission)
- Airborne broadband internet coverage
- UAS/UAV network control and Beyond Visual Line of Sight remotely piloted aircraft systems (RPAS) or stratospheric platforms

KEY FEATURES

- Low mass, power consumption and heat dissipation
- Fully robotic (remote) operation
- Wide temperature range during operation

1 Shareholders

mynaric

SHAREHOLDER LETTER

Dear shareholder,

The last few months have been overshadowed by the global outbreak of the corona virus and widespread enforcement of social distancing measures. Millions of people's switch to working remotely, swiftly-established distance learning programs, and, desperately needed telehealth capabilities made the necessity for omnipresent and widespread connectivity forcefully and unarguably clear. And while the impacts of the corona virus have had a somewhat negligible effect on the day-to-day running of Mynaric, its consequences are yet another catalyst fueling our mission. We consequently continued our growth path in the last 6 months and through the crisis.

And it has been quite some 6 months: We have secured a second contract from a space customer worth multi-million Euros; raised over EUR 12 million in a capital increase to fund our expansion plans; are seeing HAWK AIR terminals come off of our production lines; are in the final testing and qualification of the CONDOR space terminals with delivery of first units scheduled for the second half of 2020; and, have grown in size to over 130 employees today.

The aerospace connectivity market is also experiencing an upward inflection point to match ours: Seven launches have delivered 420 communication satellites into low Earth orbit; SpaceX has become the largest satellite operator; satellites for other communication and Earth observation constellations have been launched; and, Amazon has asked the US Federal Communications Council to expedite its request to launch over 3,000 communication satellites, to name but a few.

The market review section of this report will keep you fully abreast of the recent buzz of activity in the wider market but below we highlight developments and progress at Mynaric in the last half-year.

Our HAWK AIR flight terminal is now available and being produced in pre-series. The first batches of these units are already earmarked for performance and integration assessment by customers and, just as importantly, they help us refine, modify and improve production line processes and procedures to ensure we are able to successfully cope with future multi-unit demand.

What we are undertaking now, and in the next few months, with customers in the airborne segment are demonstrations and live campaigns to prove the efficacy of our products and highlight how our products' design and performance are a perfect match for the platforms that they have been painstakingly and expertly designed for.

This collaboration with clients on these testing campaigns permits us to gain invaluable insight into our customers' application requirements; in turn customers are becoming as expert on our products as we are. This bidirectional flow of information is further feeding into manufacturing a product that is, we believe, unavailable – at the very high specification, competitive price and in the required numbers – from our nearest competitors.

Moving into the space segment, we are preparing our CONDOR space terminals for inter-satellite linking for its final rigorous and exacting testing as we push this ground-breaking product to its very limits during qualification before it launches into space. Consequently, we have invested in state-of-the-art equipment here in our European HQ, such as our link testbed which offers a laser communication simulation capability unmatched by others – to simulate launches and the extreme conditions and all operating parameters existing in space. This has been money well spent as we finalize this flagship space product and have it ready for operation in orbit to the very highest performance specifications.

Our second space contract announced in January is, like the first, for a Phase 1 pathfinder mission – for a much larger constellation – and which will allow customers to get intimately acquainted with our products and their capabilities. So it is critical that we get this key finalization stage right.

As with the airborne segment, in giving customers the opportunity to actually get their hands on this product when it becomes available this year, we allow them to understand how the product will operate within the systems for which they were designed. Our focus for the next reporting period, in this key segment, is laser-trained on developing these relationships with customers so they feel confident and fully-appraised of the options before them as they consider the wholescale rollout for the multi-unit constellations they are planning.

We are aiming, of course, to ensure that Mynaric is the company entrusted with delivering the laser communication solution for these customers' connectivity needs, and our recent capital increase has generated the funds to help us keep the pace of company growth to match the demand for capabilities required by our customers and to provide the market with the numbers it currently needs.

Additionally, by allocating funds to design and source US electronics, as needed, for our terminals, we bolster our North American customer-acquisition and sales efforts. In strengthening an already strong position in the United States, we are matching the high rate of activity of our customers in this key market.

Mynaric reported total output of EUR 7.9m in 2019, slightly above the previous year's figures (EUR 6.3m in 2018). Sales of EUR 0.4m in 2019 are lower than the previous year (2018: EUR 1.4m) due to a scale back of project activities in order to focus on finalizing the product portfolio for the commercial market. This product finalization is reflected in an increase of other own work capitalized to EUR 6.2m (2018: EUR 3.2m). Inventories increased to EUR 3.3m (2018: EUR 2.0m) due to started pre-production. Production preparations also resulted in investments of EUR 1.4m within the reporting period.

We, the Executive Board members, have been working together for a full year now and we hope that the fruits of our collective labors are clear to see throughout this report.

And we are more aware than anybody that the continued success of Mynaric is down to the efforts, vision and belief of a gifted and committed staff which now totals over 130.

Employee numbers have risen in production and testing as we prepare for a busy 2020 working on product validation missions with both constellation builders in space and other customers operating in the airborne segment.

To all staff, working in all areas of Mynaric, all of whom are integral to our achievements to date and to successes yet to come, the Executive Board pays sincere thanks. Mynaric would not be at the forefront of the laser communication market without their invaluable input.

A final vote of thanks, dear shareholder, goes to you for your unwavering support in what we are achieving here. We are now seeing tangible results following 10 years of strategizing, establishing relationships, and taking the word and work of Mynaric out into the wider world.

Our half year report 2019, published in October of last year, expected an imminent market break-out and promised that Mynaric would be part of it. And so, it appears that 2020 – long-predicted to be the pivotal year for aerospace connectivity – is the year it is really happening.

In the preceding years we have set ourselves some very ambitious goals within some very challenging timelines but we believe, thanks in large part to your continued support, we have risen to meet every challenge we have set ourselves: product finalization and availability, commercial contracts, and ensuring we are at the very center of the burgeoning market in which we operate. We are confident that we are becoming the 'go to' manufacturer of laser communication products for the space, air and ground segments.

We are no longer just selling a story, a technology, or a prototype.

We are starting to sell products.

We are right where we want to be. And there is a lot more to come.

Gilching, May 2020

Bulent Altan | Wolfram Peschko | Hubertus von Janecek

MANAGEMENT – EXECUTIVE BOARD

Dr Wolfram Peschko

Dr Wolfram Peschko has been a member of the Mynaric Executive Board since 2011 and leads on finance, administration and strategic development.

Wolfram possesses more than 30 years of experience in senior management, gained at various companies with sales of more than €50 million and headcounts of up to 1,000 employees.

He has realized investments in Mynaric totalling over €60 million, including an IPO which was covered over 4-times and which raised €27 million. Wolfram has also grown Mynaric from single-digit staff to an over 130-person strong company.

Bulent Altan

Bulent Altan is a veteran of the New Space industry and managing director of Mynaric's space activities.

Bulent began his career as one of the first employees at the then newly-established SpaceX in 2004, having graduated from Stanford University and following completion of his studies at the Technical University of Munich.

At SpaceX he was essential to growing the company's avionics department from seven people to over 200, and was, as Vice-President, responsible for the avionics of the Falcon rockets as well as the Dragon capsule.

In his most recent role for the company, Bulent was Vice-President of Satellite Mission Assurance, including for SpaceX's Starlink satellite mega-constellation.

Bulent left SpaceX between 2014 to 2016 to co-found the startup ecosystem and aerospace industry in Europe, during which time he held positions as partner and mentor at the Munich area industrial start-up accelerator TechFounders, as well as taking on the role of Head of Digital Transformation and Innovation at Airbus Defence and Space.

He is also a co-founder and partner of the venture capital firm Global Space Ventures which invests exclusively in space-related businesses. He joined Mynaric in early 2019 to drive adoption of laser communication technology in the satellite industry.

Hubertus von Janecek

Hubertus von Janecek leads on sales and production of Mynaric's airborne products.

A former Vice-President of Bosch Sensortec, Hubertus brings over 20 years' experience in sales of deep tech products having served as CEO, founder and sales director of various market-leading companies.

Hubertus is overseeing the manufacturing process of our airborne laser communication terminal, ensuring that our prototypes become serially produced products compatible with the largest number of airborne customers' needs.

He is also responsible for Mynaric's serially-produced ground terminals for airborne and space applications.

MANAGEMENT – SUPERVISORY BOARD

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 Mayrhofer

Thomas Mayrhofer is a lawyer and partner of Pinsent Masons LLP, an international law firm.

Thomas specializes in Stock Corporation & Capital Markets. He advises companies and entrepreneurs on IPOs, IBOs, capital market transactions, annual general meetings, takeovers and on all other aspects of stock corporation and capital markets law.

During his 25 years of professional experience he has been in charge of more than 50 Listings/Initial public offerings, 30 Initial bond and convertible bond offerings, more than 300 public annual general meetings and 10 public takeovers.

REPORT OF THE SUPERVISORY BOARD FOR FINANCIAL YEAR 2019

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 2019 reporting year. In particular, the Supervisory Board advised the Management Board on the management of the Company and monitored the actions taken by 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 Management Board informed the Supervisory Board regularly, promptly and comprehensively of all important issues relating to current business development, the earnings and financial situation, corporate planning, the strategic development of the Company and changes in the risk situation. Events of particular importance to the position and development of the Company and its subsidiaries were always discussed promptly. All actions by the Management Board requiring the approval of the Supervisory Board were examined, discussed and decided. The cooperation between the Management Board and the Supervisory Board during the reporting year was trusting and constructive in every respect.

Work in the 2019 financial year was based on the meetings of the Supervisory Board as well as oral and written reports by the Management Board. Following detailed examination and discussion, the Supervisory Board voted on the reports and resolutions proposed by the Management Board to the extent required by law, the Articles of Incorporation and the internal rules of procedure. In isolated instances, the Supervisory Board also passed resolutions outside of 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 2019, the Supervisory Board held a total of eight meetings, on 22 January, 13 March, 18 March, 07 May, 02 August, 13 September, 01 November and 15 November, of which the meetings on 13 March, 18 March, 02 August and 01 November were via teleconference. Apart from those, two resolutions were passed by written consent in lieu of a meeting during the reporting year.

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.

The topic of the Supervisory Board meeting on 22 January was how to proceed following the resignation of Dr Harald Gerloff. The remaining members of the Supervisory Board decided to request the appointment of Thomas Mayrhofer as an acting member of the Supervisory Board until the next Annual General Meeting. The Management Board then reported on the current state of business development and sales activities, before the Supervisory Board discussed the Management Board's strategy for the space sector. The Management Board also reported on sales activities in the United States. Details of the 2019 budget and the progress of talks with potential investors were also discussed and the Supervisory Board also decided to enact a stock option plan for Management Board members/ managing directors as well as a profit-sharing agreement for Management Board members for 2019.

On 13 March, the Supervisory Board accepted the resignations of Management Board members Dr Markus Knapek and Joachim Horwath in a resolution via teleconference. At the same time, the Supervisory Board resolved the appointment of Hubertus von Janecek and Bulent Altan as new members of the Management Board as well as the conclusion of Management Board service agreements with both. The Supervisory Board also accepted the resignation of Dr Wolfram Peschko as Chair of the Management Board, and he has since been serving only as a regular member. In addition, the Supervisory Board voted for a new organizational chart, the founding of "Mynaric Systems GmbH" and a subsequent increase of the 2019 annual budget. Lastly, the Supervisory Board voted to conclude a managing director service agreement between Mynaric Systems GmbH and Dr Markus Knapek as well as between Mynaric Lasercom GmbH and Joachim Horwath.

During a teleconference on 28 March, the Supervisory Board resolved to increase capital from the 2017/I authorized capital while excluding subscription rights.

The Supervisory Board meeting on 07 May focused on business development from the preceding FY 2018 as well as the financial statements of the Company and its subsidiary Mynaric Lasercom GmbH as of 31 December 2018. The Supervisory Board accepted the results of the audit and approved the financial statements as well as the consolidated financial statements. Other topics of this meeting included reports by the Management Board on current market and business trends, in particular in the space and airborne sectors, as well as the current liquidity situation. The choice of auditor, the reissue of a stock option plan and a new level of authorized capital were also discussed. The Management Board also reported on the founding of the new subsidiary Mynaric Systems GmbH and presented the figures from Q1 2019. Lastly, the Supervisory Board resolved that the Management Board profit-sharing target for 2018 was met. The Supervisory Board also approved the new draft budget and contribution of EUR 6 million to the capital reserve of Mynaric Lasercom GmbH pursuant to Section 272 (2) (4) of the German Commercial Code (HGB).

SUPERVISORY BOARD MEETINGS AND TOPICS OF DELIBERATION

On 14 May, the Supervisory Board approved the agenda and invitation to the General Meeting on 02 July 2019 as well as the Report of the Supervisory Board for Financial Year 2018 by written consent in lieu of a meeting.

On 02 August, the Supervisory Board held a meeting via teleconference in which the Management Board presented the Company's current order and financial situation as well as the additional pending steps for expanding the Company.

The topic of the meeting on 13 September was the report by the Management Board on the progress of reorganizing the Company away from a development firm and toward a production company. The Management Board also explained the status of customer contracts in the airborne and space sectors, reported on measures to realize market potential, and presented the current financial situation of and latest developments at Mynaric USA. Lastly, the Management Board provided feedback on a recent financial roadshow in the United States, taking and answering all questions from the Supervisory Board. The Supervisory Board then approved a new organizational chart for the Management Board before approving a capital increase for both Mynaric Lasercom GmbH and Mynaric Systems GmbH. The Supervisory Board also approved very temporary revenue sharing with the employees of the Mynaric Group as well as the issue of stock options to the Company's Management Board, the managing directors of the subsidiaries and to certain employees. Lastly, the Supervisory Board resolved the amendment of the Management Board service agreement of Bulent Altan and approved the interim financial statement for the period from 01 January to 30 June 2019.

On 30 September, the Supervisory Board approved general preparations for a corporate action by written consent in lieu of a meeting.

On 01 November, the Supervisory Board held a meeting via teleconference to discuss any corporate actions. The Management Board provided an outlook of the projected liquidity situation at year's end and informed the Supervisory Board of the current order situation.

The topic of the meeting on 15 November, was the Management Board's report on the progress of the production of goods and on the status of product development, in particular the HAWK AIR and CONDOR products. The Management Board also reported on the latest developments in the United States and on the status of customer negotiations in the space sector. The Management Board then extensively discussed the Company's liquidity situation, taking and answering all questions from the Supervisory Board. The Supervisory Board discussed a potential capital increase and financing options with the Management Board, and also approved the organization and publishing of the consolidated financial statements under IFRS and individual financial statements under HGB going forward. At the request of the Supervisory Board, the Management Board explained the results of the Company's current strategic approach as well as the 2020 budget. The Supervisory Board then approved the budget of 2020, the switch from HGB to IFRS in the Group's accounting policy and the issue of stock options to employees from the 2019 stock option plan.

PERSONNEL CHANGES

Dr Harald Gerloff resigned on 31 December 2018 for urgent personal reasons.

Upon the 05 March request of the Supervisory Board and the Management Board, Thomas Mayrhofer was appointed by the Munich District Court to the Supervisory Board effective 01 April 2019 until the next General Meeting on 02 July 2019.

At the Annual General Meeting on 02 July 2019, Thomas Mayrhofer, attorney-at-law, Munich, was elected to the Supervisory Board for the term set forth in the Articles of Incorporation.

CORPORATE GOVERNANCE

All members attended every meeting of the Supervisory Board.

There were no conflicts of interests with any members relating to their duties as members of the Supervisory Board of Mynaric AG.

AUDIT OF THE FINANCIAL STATEMENT AND CONSOLIDATED FINANCIAL STATEMENTS

The Company's auditor, RSM GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the 2019 financial statement prepared by the Management Board and issued an unqualified audit certificate. The Supervisory Board received the financial statement and audit report in a timely manner and thoroughly discussed them at the balance sheet meeting on 21 April 2020.

The Supervisory Board independently examined the Company's 2019 financial statement prepared by the Management Board in accordance with the law. It approved the findings of the audit and, upon completion of its own review, raised no objections to the financial statement, approving accordingly the financial statement for Financial Year 2019 on 21 April 2020.

The financial statement is thus adopted pursuant to Section 172 (1) German Stock Corporation Act. The 2019 consolidated financial statements were approved.

THANKS

The Supervisory Board thanks the Management Board and all employees for their strong commitment and success in the preceding financial year. The Supervisory Board also thanks the shareholders for their interest in our Company and for the trust they have shown in us.

Gilching, April 2020

For the Supervisory Board,

Dr Manfred Krischke
Chair of the Supervisory Board

2

Company

Vision and Mission

VISION

Our vision is simply that we want to see a world with abundant connectivity no matter the location on Earth. Even if, in fact, that connectivity isn't actually on Earth at all.

MISSION

Our mission is to enable global connectivity by creating affordable laser communication solutions for aerospace networks.

The present increasingly requires – and the future most definitely will require – abundant and ubiquitous high-speed connectivity for people and machines alike no matter the location on Earth or whether on Earth at all. Remote industrial sites, isolated villages, vessels in the middle of the ocean, passenger airplanes, high flying drones, satellites and even asteroid mining stations and Martian settlements all need to be interconnected.

Mynaric enables communication service providers, and other enterprises and organizations, to access these applications and more by providing affordable laser communication solutions for airborne and space communication networks.

STRATEGY

Our strategy was formed and implemented several years ago when we identified the direction in which the new aerospace connectivity market was heading.

Now, after sticking strictly to the goals and targets we have set ourselves, we are reaping the fruits of these labors.

Our strategy has carried us through our development work and successfully overseen our progress from a prototype developer to a product manufacturer. Given these first commercial successes we see no reason to stray from a strategy that has served us so well in the past and the present, and will serve us just as well in a future market that is experiencing so much activity and is promising so much more in the years to come.

And we believe that the four pillars supporting our mission to enable abundant connectivity by becoming the leading equipment supplier for laser communication are still the right ones to carry us into further commercial success.

THE WORLD'S LEADING EQUIPMENT SUPPLIER FOR AEROSPACE NETWORKS

Commercialization and Serial Production

Untrammeled focus on multi-unit provision.

Heavy investments in production facilities and employees who can bring a new product to market and at volume.

Continued Cost Reduction

Use of Commercial Off-The-Shelf components and a strong focus on establishing a cost-effficient supply chain.

Intelligent production processes to lower costs while keeping strict quality standards.

Continuity One-Stop-Shop

Drawing board-to-realization management.

Customer journey support for companies planning network developments in space and stratosphere.

Marriage of market knowledge and product portfolio.

Internationalization

Dedicated production and sales in the key North American market.

Production, Sales and Development driven from European HQ.

Business development teams to take Mynaric to the rest of the world..

STRATEGY

COMMERCIALIZATION & SERIAL PRODUCTION

The strongest pillar of the four on which our strategy is based is serial production to guarantee high-volume availability. It is this focus that places us in the unique position we find ourselves in today. No other company, to our knowledge, marries this level of technological advancement with the commitment to production that we have made. Northern Sky Research has reported that, as of 2019, 25,000 satellites are destined to be launched as part of the new space race taking place in low Earth orbit. These satellites will support constellations from communications delivering high-speed, low-cost broadband to Earth Observation to Internet of Things among others.

Should just a fraction of these satellites require laser communication inter-satellite links in the coming years, and plenty of companies have already committed to laser communication, then a supplier will need to be on the way to ensuring multiple units are available on a near-daily basis. Serial production is an essential new space ingredient of the new constellations.

COST REDUCTION TRANSLATES INTO COST-EFFECTIVENESS

Economies of scale play a very large part in ensuring our products are cost-effective. And in this drive to reduce the costs of our terminals, and make them as competitive as possible, we utilize commercial off-the-shelf components when it makes sense for us to do so.

Indeed, one of the most important aspects of our serial production mechanisms are the procurement and supply chain systems and processes that we have established to ensure we have the parts available at the appropriate low cost and in the numbers required.

CONNECTIVITY ONE-STOP-SHOP

We are the leading producer of laser communication terminals for space, air and the ground. But our expertise in developing and, now, producing these terminals means we have a more holistic understanding and expertise of the aerospace connectivity market as a whole.

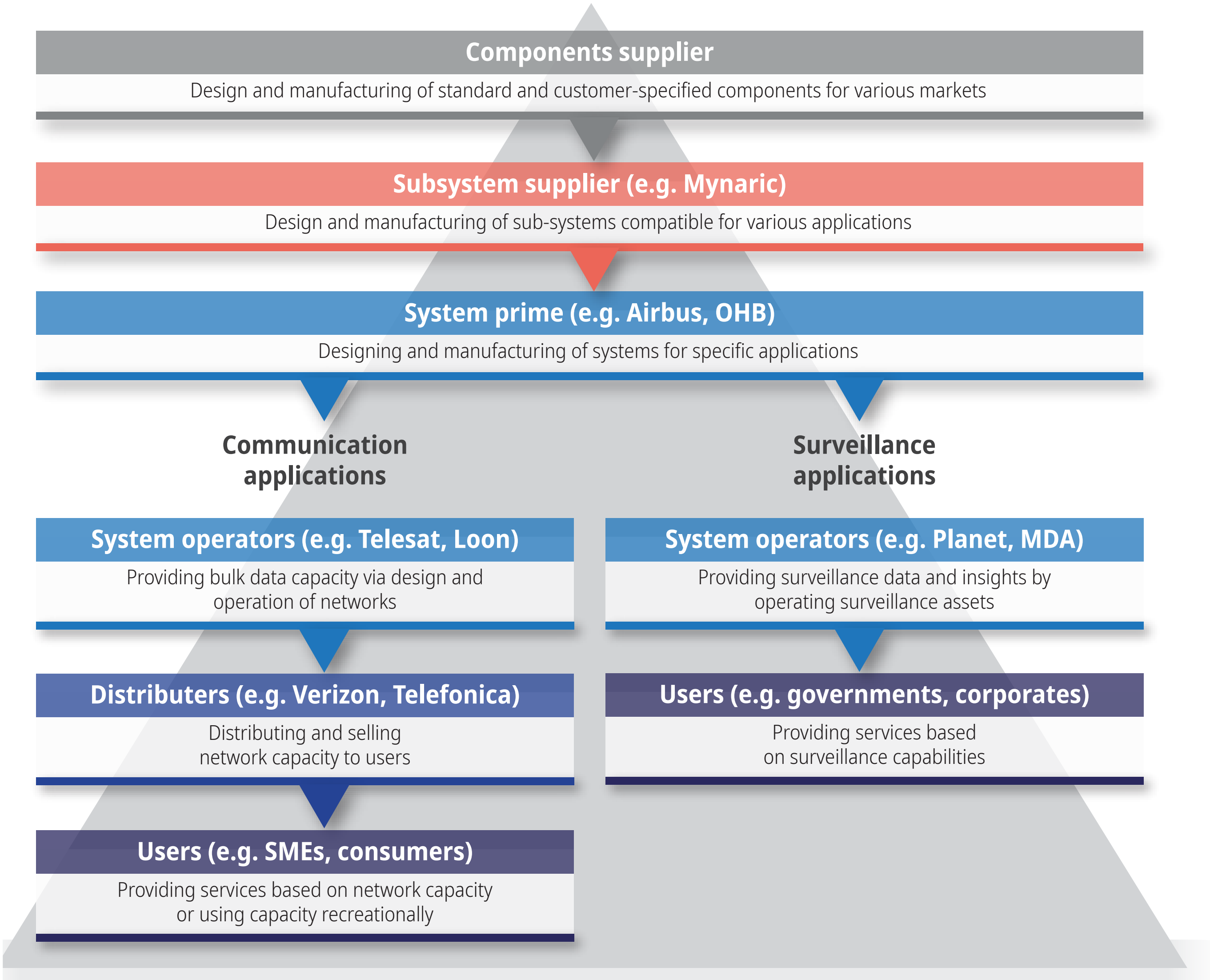
The result is that we are able to partner with individual companies and/or consortia to support connectivity projects through from their inception to completion.

INTERNATIONALIZATION

We keep a close eye on our home market of Europe but have also physically placed ourselves at the heart of the market that essentially drives developments in aerospace connectivity: the United States.

But this focus does not blind us to the opportunities available in the rest of the world and our business development team take Mynaric's services and products to interested parties globally.

MYNARIC IS A LASER COMMUNICATION SUPPLIER AT THE SUBSYSTEM LEVEL OF THE VALUE CHAIN



EQUITY STORY

There is a new gold rush taking place in space.

But this time prospectors are not dealing in gold but the 21st century equivalent: data.

Governments and companies both large and small, spearheaded by huge multinational technology companies, are in a new space race to establish dominance in a market that has now moved from drawing board to reality. We find ourselves at the inflection point of a market whose potential is beginning to physically materialize in low Earth orbit.

Numerous actors are all scrambling to establish the first satellites which will eventually deliver the future of connectivity and the building out of these constellations will only grow now that the corner has been turned and first launches are taking place.

The key element holding these constellations together – as it were the shovels that the big companies will use to dig for the gold – are provided by Mynaric: Laser communication products powering the backbone of the new, several hundred strong networks now finally being established.

We operate in a market that is growing at an astonishing rate. Growing so fast, in fact, that hardly any companies can keep pace with the market's key requirements.

Hundreds of satellites have already been launched as part of this new low Earth orbit space race to start building the future of connectivity. A number which has been achieved in just a few months and by just two companies. Racing to match these first movers are numerous other companies looking to achieve similar numbers for similar networks to deliver connectivity for Earth observation, secure communication, telecommunication backbone and affordable internet for the billions without connectivity.

It is a rate of change and activity so rapid that only those companies who had already identified the direction and potential of the market – and implemented water-tight strategies to prepare for its arrival – will be in any position to benefit from it. We believe we are one of these companies and that our position as a key supplier in this market is near-unassailable thanks both to a unique approach and unique product range.

The products that Mynaric sell are laser communication terminals that enable wireless data transmission between satellites, airborne vehicles and the ground. This key product facilitates high bandwidth and secure linking of precisely the kind needed by emerging constellations.

The technology contained within has been historically used in scientific and one-off applications but Mynaric has set out on commercializing this technology for large-scale industrial deployment to be able to meet the high volume demands of companies establishing connectivity constellations made up of hundreds, even thousands, of individual units.

We have spent years getting to the point where we are now – in 2020 – ready to offer serially-produced products. These products benefit from years of development, years of conversations, and years of planning, predating even Mynaric and stretching back to our founders' time at the German Aerospace Center (DLR).

And these products are available at just the moment that the market needs them. First products that will be used to assess their operational performance to constellations that will eventually total thousands of satellites.

Mynaric's Executive Board possesses a powerful balance of deep technical knowledge, commercial acumen, and strategic oversight. They form a triumvirate that knows the aerospace connectivity market inside out. On tap are years' worth of experience gained at the world's leading aerospace companies.

In Bulent Altan, Mynaric boasts an individual the mention of whose name alone is usually enough explanation as to his profile within the industry. Having spent 12 years at SpaceX, where he served as a Vice-President for both avionics and the Starlink satellite constellation, he has also served as a Vice-President at Airbus Defence and Space. There are few individuals who know better how to successfully bring a new product to the aerospace market.

Wolfram Peschko has been with the group since 2011 and is – with 30 years of experience in senior management gained at various companies – responsible for strategy, finance and general management divisions. Hubertus von Janecek is responsible for product sales and support. He is a former Vice-President of Bosch Sensortec, with over 20 years' experience in sales of deep tech products.

COMPANY HISTORY & MILESTONES

2009

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

2012

Mynaric starts working with customers on demonstrations of air-to-ground and air-to-air scenarios to advance technology and achieve product-level maturity. From there, Mynaric quickly establishes an international reputation for wireless laser communication for airborne applications and expands its market reach to include a wide variety of world-class customers and suppliers.

2016

Mynaric expands into North America by establishing an office there to serve customers in the USA and Canada, as well as work on establishing greater visibility for the company in this key market. Mynaric USA supports American customers on special projects and necessary product modifications.

2017

Mynaric continues on its growth path with a flotation on the German Stock Exchange to raise growth capital to enter serial production. The brand Mynaric is established in September 2017 and supersedes the former brand Vialight.

2018

Mynaric formally moves into production of its two types of ground terminals.

2019

Bulent Altan, a former SpaceX Vice-President, joins Mynaric's management board to lead on the company's space business. Hubertus von Janecek joins Bulent Altan and Wolfram Peschko on the management board to lead on Mynaric's air and ground segment.

Mynaric moves into a new purpose-built 4,500m2 building, with dedicated production facilities and increased laboratory and clean room premises, in Gilching on the outskirts of Munich.

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

The year that first airborne and space product units become available commercially to customers.

LAST YEAR IN REVIEW

Mynaric in 2019: The last 12 months.

2019 began with the arrival of Bulent Altan on the Mynaric Executive Board, joining Wolfram Peschko and Hubertus von Janecek.

Whilst the international technology press understandably focused on Bulent's essential role at SpaceX and his pedigree as a technology entrepreneur, the real benefit that Bulent brings to Mynaric is his unparalleled technological heritage twinned with his experience of taking a new product to market successfully.

Among Bulent's main tasks on joining us was to prepare for the move of our US headquarters to Los Angeles to be closer to existing and prospective customers, many of whom are located on the Californian west coast.

Now ensconced in a new US base, Bulent and his team have spent the rest of the year laying the groundwork for planned engineering and expansion. And in starting on the development of electronics sourced from within the United States, we move a long way towards being able to meet the requirements of many of the US-based companies and organizations who have stated they wish to incorporate laser communication solutions into their planned large-scale aerospace networks.

In March, we received additional post-IPO funding of EUR 11 million from the lead investor of a satellite constellation we had announced a Memorandum of Understanding with in late-2018. It was a strong indication of how key Mynaric's products are to the plans of this particular customer and also wider confirmation of the important role that laser communication will play in the aerospace connectivity market in general.

A heavily-oversubscribed capital increase at the beginning of 2020, saw us raise EUR 12.3 million which will be used to increase production capabilities, help secure market primacy in the United States, and guarantee our position at the head of the laser communication industry by scouting and investing in advanced developments underpinning next generation technologies.

Coverage from two well-respected financial services institutions – Hauck & Aufhäuser and Kepler Cheuvreux – took to a total of four the number of analysts covering the Mynaric share. Both Hauck & Aufhäuser with a EUR 75 price target and a 'buy' rating and Kepler Cheuvreux with a EUR 72 price target and, also, a 'buy' rating – predict in their initiation studies, published in the last few months, strong aerospace market growth in the coming years.

PRODUCT DEVELOPMENT

The crucial progress made in 2019 meant that we have been able to start 2020 with initial HAWK AIR flight terminals coming off of our production line and on the cusp of introducing the CONDOR flight terminal for inter-satellite linking.

Much of the final development work undertaken in 2019 has been of a nature that is specific to customers or heavily technical and, and as a result, we have been unable to update you fully on this work. But the fruits of these labors are able to be reported on as they have resulted in two products now undergoing final testing ahead of delivery to customers.

In 2019 we unveiled for the first time our full portfolio of laser communication products for space, air and the ground. Timed to perfection, the products materialized ready for 2020 just as the market needs to start assessing options for large-scale inter-satellite linking, localized mesh networks in the air, and bidirectional linking between space/air and the ground.

The portfolio was designed and developed from scratch with serial-production at the forefront of our plans. We are currently transitioning through pre-production and will – throughout 2020 – ramp up production to meet demands of the rapidly growing market.

COMMERCIAL DEVELOPMENT

Perhaps the most significant developments for Mynaric in the last reporting period, are the contracts that we have secured from space customers.

In October, we detailed a contract with an, as yet, undisclosed customer for multiple laser communication flight terminals in an initial deal valued at EUR 1.7 million and this was followed in January of 2020 with a second, multi-million Euro, contract also with an undisclosed space customer.

Both contracts highlight Mynaric's primacy in the market and present clear proof that, as we expected, an upward inflection point in the aerospace connectivity market is now taking place as phase 1 missions begin to assess products' performance for large-scale deployment.

Details surrounding our commercial programs are admittedly thin but there are very good reasons for the companies we are working with keeping their initial plans under wraps for the time being. We appreciate that this has meant there little for you to get your teeth into but we will make fuller details available as soon as commercial developments with our customers permits us to do so.

Our activities surrounding sales and business development at this key juncture – the moment when companies are looking to sign contracts, establish partnerships and assess the market for suitable products – has seen us really ramp up both on-site and off-site sales activity: taking the Mynaric message into the heart of the industry in which we operate.

COMMERCIAL DEVELOPMENT

We attended the largest aerospace conferences in the world throughout the year. From European trade fairs such as the Paris Air Show, SpaceTechExpo and the Farnborough Air Show, to the Space Symposium and Satellite 2019 conferences in the United States, our business development team is establishing contacts, building relationships and positing Mynaric as the go-to supplier of laser communication products to the aerospace connectivity market.

EMPLOYEE DEVELOPMENT

We currently boast over 130 members of staff. These employee numbers have swelled as we have hired key personnel in engineering and software and – just as importantly for our current and future plans – production.

One of the most fundamental changes Mynaric has gone through in the last 12 months is the growth of both its production facilities and number of experienced staff to support efforts as we prepare for completion of phase 1 missions with customers and build out for the large numbers expected once installation, testing and assessment has been completed in concert with customers.

This shift towards production is set to transform how Mynaric operates in the coming years.

MYNARIC IN 2020

Mynaric in 2020: The Pivotal Year

The year 2019 was a great year for Mynaric. Arguably the most successful and eventful in our company's short history. Our aim in 2020 is to not only emulate these successes but build on them and exploit the frenetic pace of activity that is now seemingly exceeding even the wildest dreams of those who, years ago, predicted a new aerospace connectivity market in low Earth orbit.

Our focus in 2020 is firmly trained on consolidating our position as the prime supplier of laser communication products available in series, working with customers on installation, assessment and testing of our products within their systems, growing out our unique position and abilities in the key North American market, and targeting further commercial success with partners and prospects.

We will spend the first six months of 2020 putting our flagship CONDOR flight terminal for inter-satellite linking through final, stringent product testing ahead of its delivery to customers later this year. With customers having already committed to the terminal, it is now imperative that the CONDOR provides the absolute apex of performance that customers require for their phase 1 demos ahead of their decisions regarding multi-unit terminal requirements.

Similarly, initial units of the HAWK AIR will now undergo installation and assessment with customers on the very systems the have been designed for. Work on this first batch of HAWK AIRs has been invaluable in helping us to refine and modify our manufacturing processes as we gear up for increased production in the coming months.

And in regard to this, a large proportion of the funds from our recent capital increase will be used to increase production rates as we ramp up our capabilities to ensure that we can match the numbers that companies are indicating they will need to link their constellations.

Concurrently, we will nail down additional phase 1 contracts and work on ensuring their success to increase our chances of being the supplier of choice for constellation builders.

In pursuit of these phase 1 contracts, we will continue to place ourselves in front of companies at international trade fairs and conferences as well as through our traditional business development channels.

In the United States, we will carry on cementing our unique position in the key North American market and work on engineering capabilities and sourcing electronics from within the US.

Mynaric has grown at an incredible rate in the last year and we do not envisage any downturn in the numbers of people joining us to oversee our greatly increased production rates in the coming months. We are committed to securing the very best personnel from the highest-class talent pools for both our European and American HQs.

3
Market Insights

mynaric

Space will become a multitrillion-dollar economy – Wall Street

The LA Times states that the global internet connectivity market is worth about $1 trillion and goes on to quote SpaceX chief Elon Musk who estimates that the company's Starlink satellite constellation could capture at least 3%, or $30 billion, of that sector. Support for both claims is found in a key report from Northern Sky Research which notes that constellations will drive a $3.8 billion opportunity for optical satcom equipment.

"The market is largely equipment-centric, with a significant portion of the revenue flow going to lasercom terminal manufacturers."

And an additional publication, the NSR's High Altitude Platforms report, notes that a $2 billion market opportunity in cumulative revenues over the coming decade awaits what will be nearly 3,000 HAPs in-service units expected in the next 10 years.

SpaceX now the largest satellite operator in the world... above the world...

SpaceX has become the largest satellite operator in the world, having launched a seven batches of Starlink satellites totalling over 420 (as of April 2020).

With well over 400 satellites now in orbit, the company's COO Gwynne Shotwell has stated that she expects the company to ramp up launches through 2020 with plans for 15-24 launches dedicated to the ground-breaking mega-constellation.

Shotwell has previously stated that just 6-8 launches will be sufficient to start offering broadband services to consumers in the same year.

The news comes after SpaceX filed a request for approval of an additional 30,000 satellites for its Starlink constellation with the FCC. If approved, it would mean a full constellation of 42,000 satellites.

In October of last year, company CEO Elon Musk used an internet connection provided by his company's Starlink constellation of broadband satellites in orbit to send a tweet.

His initial tweet "Sending this tweet through space via Starlink satellite" was followed up moments later by a second message stating simply "Whoa, it worked!!"

Telesat expects start of LEO constellation in 2022

The Canadian satellite communication company Telesat says it believes some services from its LEO constellation could begin by the end of 2022.

It added that it expects first spacecraft to launch in late 2021 or early 2022.

Telesat said the constellation - which will eventually total 300 satellites - will be in orbit during 2023.

Company President/CEO, Dan Goldberg, stated the company had "made meaningful progress in refining the design of our planned revolutionary Low Earth Orbit (LEO) satellite constellation".

The US Space Development Agency issues a Request for Proposals (RFP) for an ambitious government high-speed satellite network with laser communication destined to play a very prominent role in linking the network.

US Government turns to industry for help linking satellites using lasercom

The US Space Development Agency (SDA) says it wants its satellites to be able to easily talk to each other and is considering using optical intersatellite links for its planned surveillance constellation.

The agency's call for open standards for its planned use of laser communication is part of a wider 'broad area announcement' under the heading "National Defense Space Architecture Systems, Technologies and Emerging Capabilities".

Last year, the SDA issued a request for industry ideas that generated 150 responses, an exercise demonstrating a clear commitment on the part of the agency to incorporate commercial solutions where possible.

Round-Up

- Maxar Technologies and Thales Alenia Space abandon plans to jointly compete to build Telesat's low Earth orbit broadband constellation, setting up a three-way race for the multi-billion-dollar contract expected to be awarded soon (October, 2019)
- A new industry alliance led by Alphabet's Loon high-altitude balloon technology company and SoftBank's HAPSMobile stratospheric glider subsidiary aims to work together on standards and tech related to deploying network connectivity using high-altitude delivery mechanisms (February, 2020)
- Facebook is still determined to go to space — and it could happen within a month. The Silicon Valley social network firm has long harbored plans to launch a satellite, but it has been beset by yearlong delays. Public filings, however, show that Facebook is still actively preparing for a launch (February, 2020)

The key development in space in the coming months will be the first paid-for services provided by constellations.

SpaceX is confident that it will be in a position to offer initial customer services by the end of this year. The company has already given details – albeit fairly sketchy – of what its ground terminal for Starlink will look like to consumers: “like a thin, flat, round UFO on a stick” and, in a very Elon Musk-like manner, the SpaceX CEO told an inquisitive potential customer over Twitter that the terminal’s instructions are simply “Plug in socket. Point at sky.”

OneWeb had promised to start delivering over 375 Gbps of capacity in the Arctic from later this year - having already launched 74 satellites of a planned 648 to deliver remote connectivity - but its recent bankruptcy has thrown these planned services into doubt. It could well be that its assets will be taken up by another company in the industry but, at the time of reporting, it is unclear as to whether this will be the case.

So 2020 is truly the pivotal year that will continue to fuel the inflection point we are witnessing: not only are continued regular, high-volume launches of satellites building out mega-constellations towards their eventual number but their very reason for existing – high-speed broadband delivery – becomes monetized and companies will start to recoup their infrastructural outlay.

Additionally, in the coming months, Telesat – another company with solid financial backing from, among others, the Canadian government – will make the decision regarding which manufacturing partner will be awarded its estimated US$3 billion contract to build its satellite constellation.

These first movers will be joined by additional companies whose plans will become reality in the next 12-18 months. Heading this list of companies planning constellations are other multinationals, such as Amazon which has requested from the FCC permission to start launching and building out 3,236 satellites in LEO as part of its Project Kuiper broadband internet constellation.

Press reports late last year also hinted that Apple is working on communications satellites and next-generation wireless technology, possibly with the intention of sending data directly to users of its smart phones. Should the consumer technology giant decide to join the LEO constellation space race it will have to show its hand within the next 12 months or fear having to play catch-up with competitors.

But as important and as eye-catching as these developments are, and as attention-grabbing as the companies building them are, it is not just mega-constellations for high-speed satellite broadband that are firing activity.

Several companies, many backed by governments and supra-national bodies, are working on Quantum Key Distribution networks. These ‘unhackable’ networks offer protection from what many fear will be quantum computers so powerful that existing security algorithms and protocols are essentially rendered useless: threatening secure networks used for sensitive governmental and financial information.

Concerns over current climate patterns and future extreme weather events mean that Earth observation platforms and networks in air and space will become increasingly important to meteorological monitoring for planning and prevention. With nearly 30% of all information currently collected from such platforms held in data bottlenecks due to bandwidth limitations from existing RF downlinks, we believe that laser communication will increasingly become the only option for companies wishing to ensure data is delivered in real time without any significant delay or loss.

Earth observation forms just one branch of a wider field of applications under general surveillance which also includes but is not restricted to near-Earth object surveillance and exploratory space surveillance for both government and corporate users.

Government, in fact, will be another driver of developments in the spaceborne (and to a lesser extent airborne) segments as this key year progresses. Recent developments – driven primarily by the newly-established United States Space Force and Space Development Agency – are seeing traditionally old space government actors looking increasingly to the private new space sector for services and solutions.

Many companies – again prime among them the company that typifies and drives this new space approach, SpaceX – are positioning themselves to compete for a share of the US military’s US$14 billion space budget. Increasingly, the government sector will adopt commercial solutions that will push progress and activity.

At least two, and as many as four, Mars missions could leave Earth this year. Both the NASA Mars 2020 rover mission and the European Space Agency’s ExoMars 2020 mission are set to reach the red planet by 2021 and the NASA program, especially, is set to use laser communication to establish a telecommunication system that will need to be able to breach the average 225 million kilometers between the two planets.

MARKET IN 2020

As both national and international space agencies and private companies aim to conquer our nearest planetary neighbor so will the necessity for laser communication become built into future plans.

Whilst the Mars exploration market is not a market that we are actively seeking to break into, it is, nonetheless, clear indication of the importance of laser communication so much of what is currently going on – and will go – in space.

In the airborne segment, we believe the availability of the first HAWK AIR terminals – to be delivered into customers hands in Q3 – will help promote a completely fledgling market for laser communication in the stratosphere.

Crisis communication following natural disasters, ultra-secure communication in areas requiring jam-proof and tap-proof data transmission, and, as Loon is doing from the skies above Kenya, localized internet connectivity above regions devoid of telecommunication infrastructure, are just some of the scenarios where the unique technological benefits of laser communication can be utilized for both humanitarian benefit and financial gain.

A group of global industry leaders in the High-Altitude Platform (HAPs) segment joined forces early in 2020 to "build a cooperative HAPs ecosystem, develop common product specifications and promote the standardization of HAPs network interoperability" and given the political and economic clout that many of its members possess individually – Softbank, Nokia, Airbus – their formidable collective efforts will no doubt see the stratosphere become a much more visible and active market as their lobbying efforts take effect.

The effects of the coronavirus on the aerospace connectivity market cannot yet be adequately assessed and it is clear that the longer the epidemic lasts, the greater the effects may be. However, what the current outbreak has made patently clear is that assets need to be connected always and everywhere to keep both society and economies running in times of crisis. Never has the need for global connectivity from aerospace networks been more urgent.

FACTS & FIGURES

30

Mynaric has more laser terminals in production schedule for 2020 than have been commercially produced in the history of laser communication.

€3.8 bn

Northern Sky Research projects a $3.8 billion cumulative revenue opportunity until 2029 for space-based laser communication.

420

SpaceX is now the largest satellite operator in the world with over 420 satellites launched as part of its Starlink mega-constellation buildout.

132

Number of staff working at Mynaric. Experts in engineering, production, supply chain management, software, technical scouts, administrative support.

17

Conferences and trade shows attended in 2019 – taking the message, products and services of Mynaric into the heart of the aerospace connectivity market.

365

Laser communication offers 365 times more bandwidth than RF, following the latest world record.

4

CONSOLIDATED FINANCIAL STATEMENTS 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

in EUR		31.12.2019	31.12.2018
Sales	(1)	444,165.00	1,363,959.54
Decrease / increase in inventories of finished goods and work in progress	(2)	556,229.46	1,372,995.88
Other own work capitalized	(10)	6,184,746.02	3,153,765.58
Other operating income	(3)	733,627.86	402,884.70
Output		**7,918,768.34**	**6,293,605.70**
Cost of purchased material and services	(4)	-2,789,710.20	-2,634,774.14
Personnel expenses	(5)	-8,178,746.07	-7,195,131.73
Depreciation and amortisation of other intangible assets, property, plant and equipment	(10) (11) (12)	-1,204,314.15	-409,236.14
Other operating expenses		-3,426,173.45	-3,832,820.06
Operating profit (EBIT)		**-7,680,175.53**	**-7,778,356.37**
Interest and similar income	(6)	105,429.44	24.09
Interest and other borrowing costs	(6)	-92,408.42	-0.54
Net financial result	(6)	**13,021.02**	**23.55**
Profit/loss before tax (EBT)		**-7,667,154.51**	**-7,778,332.82**
Income tax expense	(7)	-161,156.53	249.07
Consolidated net loss for the year		**-7,828,311.04**	**-7,778,083.75**
Other comprehensive income			
Exchange rate differences (after taxes)	(19)	-42,805.06	-47,315.91
Items which may be subsequently reclassified to profit and loss		**-42,805.06**	**-47,315.91**
Other comprehensive income after tax		**-42,805.06**	**-47,315.91**
Comprehensive income		**-7,871,116.10**	**-7,825,399.66**
Number of shares, basic	(8)	2,831.427	2,704,304.00
Number of shares, diluted	(8)	2,831.427	2,704,304.00
Earnings per share, basic	(8)	-2.76	-2.88
Earnings per share, diluted	(8)	-2.76	-2.88
Allocation of the consolidated net loss for the year Shareholders of the company		**-7,828,311.04**	**-7,778,083.75**
Allocation of the comprehensive income Shareholders of the company		**-7,871,116.10**	**-7,825,399.66**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION UNDER IFRS AS AT 31 DECEMBER 2019

ASSETS

in EUR		31.12.2019	31.12.2018
Assets			
Intangible assets	(10)	10,224,365.26	4,234,706.06
Right-of-use assets	(11)	6,700,276.38	0.00
Property, plant and equipment	(12)	3,854,640.19	2,450,980.19
Other non-current receivables and assets	(14)	225,874.53	1,565,438.46
Non-current assets		**21,005,156.36**	**8,251,124.71**
Inventories	(13)	3,255,359.63	2,003,163.05
Trade receivables	(14)	75,760.00	317,101.84
Income tax receivables		10,604.95	0.00
Other financial and non-financial assets	(15)	1,275,292.26	1,268,846.48
Cash and cash equivalents	(16)	8,913,950.86	12,922,548.50
Current assets		**13,530,967.70**	**16,511,659.87**
TOTAL ASSETS		**34,536,124.06**	**24,762,784.58**

EQUITY AND LIABILITIES

in EUR		31,12,2019	31,12,2018
Equity			
Subscribed capital	(17)	2,904,304.00	2,704,304.00
Capital reserve	(18)	46,174,385.96	35,688,894.76
Exchange rate differences	(19)	-52,634.52	-9,829.46
Retained earnings		-24,174,963.07	-16,346,652.03
TOTAL EQUITY		**24,851,092,37**	**22,036,717,27**
Liabilities			
Other provisions	(20)	25,400.00	25,700.00
Lease liabilities	(11)	6,079,700.73	0.00
Non-current liabilities		**6,105,100.73**	**25,700.00**
Other provisions	(19)	1,531,220.44	1,284,187.22
Lease liabilities	(11)	664,094.18	0.00
Trade payables	(22)	1,207,212.16	1,270,284.91
Financial and non-financial liabilities	(21)	177,404.18	145,895.18
Current liabilities		**3,579,930.96**	**2,700,367.31**
TOTAL EQUITY AND LIABILITIES		**34,536,124.06**	**24,762,784.58**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

in EUR	Subscribed capital	Capital reserves	Exchange rate differences	Retained earnings	Total
Balance at 1 January 2018	2,704,304.00	35,657,206.72	37,486.45	-8,568,568.28	29,830,428.89
Share-based payments AOP 2017		31,688.04			31,688.04
Consolidated net loss for the year				-7,778,083.75	-7,778,083.75
Other comprehensive income			-47,315.91		-47,315.91
Balance at 31 December 2018	**2,704,304.00**	**35,688,894.76**	**-9,829.46**	**-16,346,652.03**	**22,036,717.27**
Balance at 1 January 2019	**2,704,304.00**	**35,688,894.76**	**-9,829.46**	**-16,346,652.03**	**22,036,717.27**
Capital increase March 2019	200,000.00	10,800,000.00			11,000,000.00
Capital procurement costs		-420,006.57			-420,006.57
Share-based payments AOP 2019/2017		105,497.77			105,497.77
Consolidated net loss for the year				-7,828,311.04	-7,828,311.04
Other comprehensive income			-42,805.06		-42,805.06
Balance at 31 December 2019	**2,904,304.00**	**46,174,385.96**	**-52,634.52**	**-24,174,963.07**	**24,851,092.37**

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

in EUR	2019	2018
Operating profit	-7,680,175.53	-7,778,356.37
Interest paid	-92,408.42	23.55
Interest received	105,429.44	249.07
Goodwill impairment	3,500.00	0.00
Depreciation and amortization of property, plant and equipment and other intangible assets	1,171,898.11	409,236.14
Expense of share-based payments	105,497.77	31,688.04
Change in provisions	246,733.22	674,395.85
Change in accounts receivable and other assets	-1,250,846.54	-1,783,467.88
Change in accounts payable and other liabilities	-31,563.75	411,533.31
Cash flows from operating activities	**-7,421,935.70**	**-8,034,698.29**
Purchase of property, plant and equipment and other intangible assets	-8,087,519.59	-5,149,741.37
Purchase of other financial assets	0.00	-2,313,590.70
Proceeds from other financial assets	1,562,505.00	0.00
Proceeds from disposal of non-current assets	-2,606.55	19,991.81
Cash flows from investing activities	**-6,527,621.14**	**-7,443,340.26**
Proceeds from capital increases	10,418,836.90	0.00
Cash payments for settling lease liabilities	-435,072.64	0.00
Cash flows from financing activities	**9,983,764.26**	**0.00**
Exchange rate differences	**-105,714.68**	**-122,400.04**
Decrease in cash	**-4,071,507.26**	**-15,600,438.59**
Changes in cash fund value due to exchange differences	62,909.62	75,084.13
Cash at beginning of period	12,922,548.50	28,447,902.96
Cash at end of period	**8,913,950.86**	**12,922,548.50**

DEVELOPMENT OF FIXED ASSETS FROM 1 JANUARY TO 31 DECEMBER 2019

in EUR	Intangible assets	Rights of use from leasing agreements	Property plant and equipment	Goodwill
Historical costs				
Balance at 1 January 2019	**4.395.037.92**	**0.00**	**2.874.673.80**	**0,00**
Additions	6.099.804.83	7.178.867.55	1.987.714.76	3.500.00
Transfers	0.00	0.00	0.00	0.00
Disposals	-61.00	0.00	-191.484.50	0.00
Balance at 31 December 2019	**10.494.781.75**	**7.178.867.55**	**4.670.904.06**	**3.500.00**
Accumulated amortization, depreciation, write-downs and impairment				
Balance at 1 January 2019	**160.331,86**	**0,00**	**423.693,61**	**0,00**
Scheduled additions	110.084.63	478.591.17	586.722.31	3.500.00
Disposals	0.00	0.00	-194.152.05	0.00
Exchange rate differences	0.00	0.00	0.00	0.00
Balance at 31 December 2019	**270.416.49**	**478.591.17**	**816.263.87**	**3.500.00**
Net book value at 1 January 2019	**4.234.706.06**	**0.00**	**2.450.980.19**	**0.00**
Net book value at 31 December 2019	**10.224.365.26**	**6.700.276.38**	**3.854.640.19**	**0.00**

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 01 JANUARY TO 31 DECEMBER 2019

I. GENERAL PRINCIPLES

The headquarters of Mynaric AG is Dornierstrasse 19 in 82205 Gilching, Germany. It is entered in the Commercial Register of the Munich District Court under the number HRB 232763. The Company's shares are listed on the Regulated Unofficial Market (Scale segment) of the Frankfurt Stock Exchange. The objective of the Company is the development, manufacture, sale and operation of equipment, software, systems and solutions for communication networks, in particular aerospace and related products, as well as the holding and administration of investments in companies active in this field and the provision of related services. Mynaric AG acts as an active holding company that finances and manages the subsidiaries within the Group and is also the ultimate parent company. The Mynaric Group is primarily active in the manufacture and sale of products and projects and in the provision of services in the field of laser technology, in particular in the aerospace, telematics and satellite services sectors.

II. PRINCIPLES AND METHODS

Mynaric AG prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable in the EU on the balance sheet date while taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions of Section 315e of the German Commercial Code (HGB).

The consolidated financial statements were prepared in accordance with the going concern and cost principle, and with the exception of fair value measurements for equity financial instruments. In addition to the consolidated statement of comprehensive income and the consolidated balance sheet, the consolidated cash flow statement and the consolidated statement of changes in equity are also shown. The total cost method has been applied to the consolidated statement of comprehensive income. The reporting currency is the euro. All amounts are stated in thousands of euros (TEUR) unless otherwise stated. Please note that differences may arise in the use of rounded amounts and percentages due to commercial rounding.

III. CONSOLIDATION METHODS

Capital consolidation for acquired subsidiaries is performed using the purchase method. All subsidiaries under the legal or factual control of Mynaric AG are included in the consolidated financial statements.
In accordance with IFRS 3.32, any remaining positive differences between the acquisition costs of the investments and the net assets measured at fair value are capitalized as goodwill and any negative differences are recognized in profit or loss.

Sales, expenses and income as well as receivables and payables between consolidated companies are offset, and any intercompany profits are eliminated.

IV. CONSOLIDATED COMPANIES

The consolidated financial statements of Mynaric AG include Mynaric AG as well as two domestic and one foreign subsidiary. The table "Consolidated companies" shows the subsidiaries with their participation rate.

Mynaric Systems GmbH, Gilching - which was acquired on 15 March 2019 as a non-operating company - was included for the first time in the consolidated statement of comprehensive income for the reporting period from 01 January to 31 December 2019.

NAME OF THE COMPANY	PARTICIPATION RATE IN %	CONSOLIDATION
Mynaric Lasercom GmbH, Gilching	100	fully consolidated
Mynaric Systems GmbH, Gilching	100	fully consolidated
Mynaric USA, Inc., Los Angeles	100	fully consolidated

V. CURRENCY CONVERSIONS

Debit-side invoicing is carried out primarily in euros. Incoming and outgoing invoices in foreign currencies were converted and booked at the exchange rate on the balance sheet date or, if a hedge existed, at the hedging rate. Bank accounts in foreign currencies were valuated at the exchange rate on the balance sheet date. The financial statement of the foreign subsidiary Mynaric USA, Inc., Los Angeles was prepared in the domestic currency (US dollars) and converted according to the functional currency concept in accordance with IAS 21. The currency difference resulting from the conversion of equity is recorded in other comprehensive income under "Exchange rate differences."

VI. ACCOUNTING AND VALUATION PRINCIPLES

NEWLY ISSUED ACCOUNTING STANDARDS

The International Accounting Standards Board (IASB) and the IFRIC have amended the following standards and interpretations, the application of which is mandatory for the 2019 financial year:

- IFRS 16 Leases
  IFRS 16 abolishes the previous classification of leases on the leaseholder side into operating and finance leases. Instead, IFRS 16 introduces a uniform leaseholders' balance sheet model under which leaseholders are required to recognize assets (for the right of use) and lease liabilities for leases with a term of more than twelve months. For information on the effects of first-time application, please refer to the section on LEASING and [11] RIGHTS OF USE FROM LEASING AGREEMENTS.

- IFRIC 23 Uncertainty over income tax treatments
  The tax treatment of certain items and transactions may depend on future recognition by the tax authorities or the tax courts. IFRIC 23 supplements the regulations in IAS 12 "Income taxes" with respect to the treatment of contingencies relating to the income tax treatment of items and transactions.

- Amendment to IFRS 9: Early repayment options with negative prepayment penalty
  As a result of the new regulation, the existing provisions in IFRS 9 regarding termination rights are amended in such a way that, even in the case of negative compensation payments, a valuation at amortized cost (or depending on the business model, without effect on income to the fair value) is made possible. In addition, the amendment clarifies an accounting aspect for financial liabilities as a result of a modification: Accordingly, in the case of restructuring a financial liability that does not lead to its de-recognition, its book value shall be adjusted directly in profit or loss. Thus, a retrospective change in accounting may become necessary if, in the case of a modification, not the amortized cost, but the effective interest rate has been adjusted.

- Annual improvements to IFRS (Cycle 2015-2017)
  The collection standard is based on the IASB's annual review of minor improvements to standards and interpretations. It comprises minor changes to a total of four standards (IFRS 3, IFRS 11, IAS 12, IAS 23).

- Amendment to IAS 19: Measurement of defined benefit net obligations under plans for retirement benefits with employee contributions
  According to IAS 19, for plan amendments, reductions or compensations, a revaluation of the net liability from performance-oriented pension plans shall be made on the basis of current actuarial assumptions. Current amendments clarify that after such an event, the expenditure of service time and net interest for the remainder of the period shall be determined using the updated assumptions.

- Amendment to IAS 28: Long-term investments in affiliates and joint ventures
  The amendment to IAS 28 clarifies that IFRS 9 applies to long-term investments in an affiliated company or joint venture that form part of the net investment in this affiliated company or joint venture, but which are not accounted for using the equity method.

The Group has applied all accounting standards which were mandatory as of 01 January 1 2019. From the application, in some part, there have been essential effects on the present consolidated financial statements, which are described in detail in the section "LEASING."

NEWLY ISSUED ACCOUNTING STANDARDS THAT HAVE NOT YET BEEN APPLIED

The IASB has issued standards, interpretations and revisions to existing standards whose application is not yet mandatory or will not be mandatory until future reporting periods and which Mynaric AG has not yet adopted on a voluntary basis.

INCORPORATED INTO EU LAW	DATE OF APPLICATION (EU)
Changes to the framework concept	01/01/2020
Amendments to IAS 1 and IAS 8: Essential Definition of materiality	01/01/2020
Amendments to IFRS 9, IAS 39, IFRS 7: Interest rate benchmark reform	01/01/2020

NOT YET INCORPORATED INTO EU LAW	DATE OF APPLICATION (EU)
Insurance contracts IFRS 17	01/01/2021
Amendments to IFRS 3	01/01/2020

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

As financial assets subject to the model of credit losses under IFRS 9, the Group has:
- Trade receivables
- Bank balances with residual maturities of more than three months

Cash and cash equivalents are also subject to the loss allowance of IFRS 9, but the identified loss allowance was immaterial and was therefore not recognized.

The simplified approach is used to determine expected credit losses for trade receivables. As of 31/12/2019, a write-down of TEUR 210 was required for an individual customer receivable.

Bank balances with a remaining term of more than 3 months are recognized at nominal value, with foreign currency balances being converted at the closing rate on the balance sheet date. Expected losses are negligible in the area of bank balances, which are to be regarded as other financial assets due to their maturity and are therefore not recognized.

Revenue Recognition

Revenue recognition is based on the principle that revenue only equaling the consideration is not recognized until control of the goods or services is transferred to the customer. The contractual provisions as well as all relevant facts and circumstances must be taken into account. In principle, accounting is carried out at the individual contract level with a customer, unless the provisions for combining contracts are satisfied. The provisions of the standard are applied uniformly to similarly structured contracts and under similar circumstances. The Group generated revenues exclusively from the sale of goods and services.

Sale of goods and services

Revenue is recognized on a point-in time basis, mainly from the sale of goods and the provision of services, if the performance obligation is not fulfilled over a period of time according to IFRS 15.35–37. The guidance for determining the date of transfer of control, including a wide range of indicators for this, is taken into account.

Payment of the transaction price is generally due within 30 days. Receivables with a term of more than one year are classified as non-current.

Own work capitalized

Development expenditures are recognized as an asset pursuant to IAS 38.57 if a newly developed product or process can be clearly delineated, is technically feasible and if it is intended either for the Company's own use or for sale. A further conditions is that it must be sufficiently likely for the development expenditure to be recouped from future cash flows. Such expenditure is recognized on the production costs incurred, primarily the development hours multiplied by the applicable hourly cost rate as well as products and services purchased. In the financial year, development costs of EUR 2.201 million (previous year: EUR 2.757 million) were recorded as an expense, since the IAS 38.57 criteria were not met. Of the total development costs of EUR 8.287 million (previous year: EUR 5.911 million), an amount of EUR 6.086 million (previous year: EUR 3.154 million) was capitalized.

Grants

Grants totaling TEUR 140 (previous year: TEUR 227) were recognized as revenue. Revenue from grants for development services is recognized at the time the costs are incurred. Revenues from grants are not offset against expenses (gross presentation). At present, there are no indications that provisions of the donors cannot be met.

Financial results

The financial result includes income from other financial expenses for liabilities and interest income from receivables. Interest income is recognized in profit and loss using the effective interest method.

Intangible Assets

At each balance sheet date, Mynaric reviews the carrying amounts of its intangible assets to identify any evidence of impairments. In this case, the recoverable amount of the asset in question is calculated to determine the amount of any impairment. The recoverable amount is the fair value less costs to sell or the value in use, whichever is higher. Intangible assets acquired from third parties primarily consist of software programs and licenses. These are carried at historical cost and amortized on a straight-line basis over a useful life of between 3 and 8 years. With the development completed own work capitalized was stated at acquisition cost and amortized on a straight-line basis over a useful life of 5 years.

Property, plant and equipment

At each balance sheet date, Mynaric reviews the carrying amounts of its property, plant and equipment to identify any evidence of impairment. In this case, the recoverable amount of the asset in question is calculated in order to determine the amount of any impairment. The recoverable amount is the fair value less costs to sell or the value in use, whichever is higher. Assets classified as property, plant and equipment are carried at historical cost and depreciated on a straight-line basis over the expected useful life. Maintenance expenses that do not increase the value of property, plant and equipment or significantly extend their useful life are expensed. Material additions and improvements are recognized as assets. Disposals are recorded both at historical cost as well as at accumulated depreciation. Gains and losses on the disposal of property, plant and equipment are recorded in "Other Operating Income or Expenses." The depreciation periods for property, plant and equipment are 3 to 14 years for machinery and technical equipment, and 3 to 13 years for other equipment, as well as operating and business equipment.

Inventories

Inventories are recognized at historical acquisition or production cost or at the lower recoverable value on the balance sheet date. Production costs comprise individual direct and indirect costs.

Other financial assets

Depending on its business model, the Group assignes its financial assets into the following valuation categories:

• those subsequently measured at fair value (either not affecting net income - FVOCI - or affecting net income - FVPL -), and

• those assessed at amortized cost (AmC)

No financial assets are currently assigned to the categories FVOCI and FVPL.

A customary purchase or sale of financial assets is recognized on the trading date, i.e., the date on which the Group undertakes to buy or sell the asset. Financial assets are derecognized when the rights to receive the cash flows from financial assets have expired or have been transferred together with all substantial risks and opportunities arising from ownership.

AmC: Assets held to collect contractual cash flows and for which these cash flows exclusively constitute interest and principal payments are measured at amortized cost. Interest income from these financial assets is reported within finance income using the effective interest method. Gains and losses from the derecognition of the asset are reported directly in the consolidated statement of comprehensive income and, together with the currency translation gains and losses, included in operating expenses and income. Trade receivables, cash and cash equivalents and other financial assets are assigned to this category.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments measured at amortized cost. The loss allowance method depends on whether there is a significant increase in credit risk (general model). The expected credit loss approach uses a three-level process for allocating write-downs. All instruments are assigned to level 1 on receipt. In this case, the present value of the expected credit loss resulting from possible default events within the next twelve months after the balance sheet date must be recognized as an expense. Level 2 contains all instruments that have a significant increase in credit risk at the reporting date compared with the date of acquisition. In level 3 there is additional objective evidence of a credit loss. No instruments were allocated to level 2 or level 3 at the balance sheet date.

With respect to trade receivables, the Group applies the simplified approach permitted under IFRS 9, according to which the life-time expected credit losses are recorded upon initial recognition of the receivables.

When applying the simplified model, life-time expected credit losses are recognized for all trade receivables.

To measure expected credit losses, trade receivables were combined on the basis of common credit risk characteristics.

Deferred taxes

Under IAS 12, temporary differences between the tax bases of assets and liabilities and their carrying amounts under IFRS/IAS result in deferred taxes. The Mynaric Group applies a uniform tax rate of approximately 28% for calculating domestic deferred taxes. Income taxes in 2019 were calculated in detail using differentiated tax rates. Deferred tax assets are recognized pursuant to IAS 12. Deferred tax assets are recorded to the extent it is probable that taxable profit will be available against which the temporary difference can be utilized. This also applies to deferred tax assets on unused tax losses. If the tax assets are unlikely to be realized, they are impaired by the appropriate amount.

Deferred tax assets and liabilities are only offset if the deferred taxes relate to income taxes levied by the same taxation authority and if the actual income tax assets can be offset against the actual income tax liabilities.

Equity

IAS 32 (Financial Instruments: Disclosure and Presentation) stipulates that equity must not include any contractual obligation to deliver cash or any other financial asset to another entity. Equity comprises subscribed capital, capital reserves, currency differences (equity from unrealized gains/losses) and retained earnings.

Share-Based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument on the date it was granted. More information on determining the fair value of equity-settled share-based payments can be found under [9] SHARE-BASED PAYMENTS.

The fair value determined when the share-based payments are granted is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity, and is based on the Group's expectations regarding the equity instruments that are expected to vest. At each reporting date, the Group must review its estimates regarding the number of equity instruments that will become vested. The effects of the changes in the original estimates are recognized in profit or loss with simultaneous adjustment of the capital reserve.

Other provisions

Other provisions have been reliably assessed for transactions resulting in an outflow of enterprise resources to settle present obligations in accordance with IAS 37. Estimates are based primarily on detailed calculations. Provisions for which an outflow of resources is only expected after twelve months are classified as non-current and recognized at the present value of future cash outflows.

Financial liabilities

Liabilities comprise financial liabilities, trade payables and other liabilities, and are classified in the category of financial liabilities measured at amortized cost (FLAC). Financial liabilities are accounted at amortized cost using the effective interest method. They are initially recognized at fair value, including transaction costs. Financial liabilities are derecognized when the contractual obligations are settled, suspended or expire. If the financial liabilities are not due for settlement within twelve months of the end of the reporting period, they are classified as non-current, otherwise as current.

Leasing

Upon applying IFRS 16 for the first time, the Group recognizes lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities are assessed at the present value of the remaining lease payments, discounted at the borrower's incremental borrowing rate.

There were no leases previously classified as finance leases.

Since 01/01/2019, leases are reported in the balance sheet, at the time the leased object is available for use by the Group, as a right of use and a corresponding lease liability. Each leasing installment is divided into principal repayment and financing expenses. The financing expenses are recognized in profit and loss over the term of the lease, so there is a constant periodic interest rate on the remainder of the lease liability for each period. The right of use is amortized on a straight-line basis over the shorter period of useful life or term of the lease agreement.

Lease assets and liabilities are initially accounted at their present value. The lease liabilities include the present value of the following lease payments:

- fixed payments (including faction-substance fixed payments) less any leasing incentives receivable,
- variable lease payments that depend on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option,
- penalty payments for terminating the lease purchase if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments are discounted at the implicit interest rate underlying the lease, provided that it can be determined. Otherwise, it will be discounted with the borrower's incremental borrowing rate, i.e. the interest rate that a lessee would have to pay if he had to raise funds to acquire an asset of comparable value and terms in a similar economic environment. The lessee's weighted average incremental borrowing rate applied is 2.0%.

Rights of use are valued at acquisition costs, which are composed as follows:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any leasing incentives received,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Payments for short-term leases and leases based on low-value assets are reported in profit or loss on a straight-line basis. Leasing agreements with a term of up to twelve months are regarded as short-term leases. Low value assets include IT equipment and smaller office furniture.

The real estate lease agreement includes an extension option for two times five years to ensure maximum operational flexibility for the lessee. It can only be exercised by the Group, not by the lessor. When determining the duration of a lease, all facts and circumstances offering an economic incentive for exercising extension options will be taken into account. Maturity changes resulting from exercising extension options are included in the contract period only if the extension is sufficiently certain at the time of consideration. This is currently not the case, so that the extension option was not included in the term of the real estate lease.

Estimates

Proper and full preparation of the consolidated financial statements requires to some degree the use of assumptions and estimates that affect assets and liabilities reported, the disclosure of contingent liabilities and receivables on the face of the balance sheet and the income and expenses recognized. In individual cases, the actual values may deviate from the assumptions and estimates made. Any adjustments are taken to profit and loss upon further knowledge becoming available.

The assessment the of internally funded development expenses was based on estimates of future cash flows. Technological progress, a deteriorating market or damage may necessitate non-scheduled depreciation of property, plant and equipment.

Estimates must also be made to account for tax provisions and test deferred tax assets for impairment. In determining the value of deferred tax assets, uncertainty may arise with respect to the interpretation of complex tax legislation as well as the amount and timing of future taxable income.

The determination of the fair value of share-based payments takes into account estimated volatility.

Other provisions are recognized based on available knowledge and using the customary scope of discretion.

Impairments of financial assets are based on assumptions about the risk of default and expected loss rates. The Group uses discretion in making these assumptions and selecting input factors for calculating impairments losses based on the Group's historical experience, existing market conditions and forward-looking estimates at the end of each reporting period.

VII. NOTES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

[1] SALES REVENUES

Sales revenues were divided between Asia at 74% (previous year: 92% in the United States) and Europe at 26% (previous year: 8%).

All revenues from contracts with customers are recognized when they are realized at a point of time.

[2] INCREASE/DECREASE IN INVENTORIES OF WORK IN PROGRESS AND SERVICES

The increase in inventories of works in progress and services in the amount of TEUR 407 (previous year: TEUR 1,064 in optical ground stations) is primarily attributable to optical ground stations and air terminals in production. The overall increase of inventories totals TEUR 556 (previous year: TEUR 1,373).

[3] OTHER OPERATING INCOME

Other operating income in the amount of TEUR 734 (previous year: TEUR 403) comprises TEUR 140 of income from grants (previous year: TEUR 227), TEUR 317 in income from the reversal of provisions (previous year: TEUR 74) and TEUR 76 in collected contract penalties from suppliers (previous year: TEUR 0).

[4] COST OF MATERIALS

IN TEUR	01/01–31/12/2019	01/01–31/12/2018
Cost of raw materials and supplies	1,208	1,554
Expenditures for purchased services	1,582	1,081
Total	**2,790**	**2,635**

[5] PERSONNEL EXPENSES

IN TEUR	01/01–31/12/2019	01/01–31/12/2018
Wages and salaries	7,078	6,107
Social security contributions and expenditures on old age pensions and supports	1,101	1,088
Total	**8,179**	**7,195**

Social security contributions and expenditures on old age pensions and support include employer contributions to the German statutory pension insurance scheme. With regard to the share-based payments ([9] SHARE-BASED PAYMENTS), personnel expenses were recognized in the amount of TEUR 105 (previous year: TEUR 32).

[6] INTEREST AND OTHER FINANCIAL RESULT

IN TEUR	01/01–31/12/2019	01/01–31/12/2018
FINANCIAL INCOME		
Other interest income from loans and receivables	105	0
Other interest income from financial assets measured at amortized cost	0	0
Other financial income	0	0
	0	0
FINANCIAL EXPENSES		
Interest expenses from liabilities measured at amortized cost	0	0
Other financial expenses	92	0
Total	13	0

[7] TAXES ON INCOME AND PROFITS

IN TEUR	01/01–31/12/2019	01/01–31/12/2018
Expected taxes at tax rate of approx. 28.00% (previous year: approx. 28.00%)	2,130	2,155
Effects from temporary differences in capitalized development costs	-1,670	-874
Effects of temporary differences in work in progress	-56	94
Effects from temporary differences in leases	12	0
Effects of non-tax-deductible expenses	10	9
Effects of unused tax losses and offsetting options not originally recognized that are now recognized as deferred tax assets	1,714	780
Effects of unused tax losses not recognized as deferred tax assets and offsetting options	-1,979	-2,164
Tax expenses for the financial year	**161**	**0**

Breakdown of tax expenses:

	01/01–31/12/2019		01/01–31/12/2018	
IN TEUR	CURRENT TAXES	DEFERRED TAXES	CURRENT TAXES	DEFERRED TAXES
Domestic	0	-161	0	0
International	0	0	0	0
Total	**0**	**-161**	**0**	**0**

As a result of the start-up losses incurred to date, deferred tax assets for domestic losses and interest expenses carried forward in the amount of TEUR 32,723 in corporate tax/ TEUR 32,637 in trade tax (previous year: TEUR 19,479/ TEUR 19,463) were only recognized in the amounts of the recognized deferred tax liabilities. The same applies to foreign tax losses amounting to TEUR 1,748 (previous year: TEUR 1,099). The tax losses do not expire.

In the financial year, the changes in deferred taxes not affecting income amounted to TEUR 0 (previous year: TEUR 0).

Deferred tax assets and liabilities:

	31/12/2019		31/12/2018		01/01–31/12/2019	01/01–31/12/2018
IN TEUR	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	CHANGE AFFECTING NET INCOME	
Intangible assets and property, plant and equipment	0	2,812	0	1,142	-1,670	-874
Work in progress	51		107	0	-56	94
Leases	44	0	0	0	44	0
Tax loss carry-forwards and tax credits	2,717	0	1,035	0	-1,682	780
Netting	-2,812	-2,812	-1,142	-1,142	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**
Short-term	0	0	0	0		

[8] EARNINGS PER SHARE UNDER IFRS/IAS

Basic earnings per share are calculated by dividing the profit after tax attributable to the shares in question by the number of entitled for dividends. This ratio may be diluted by so-called potential shares, in particular options and subscription rights. There were no comparable rights with a positive value at the balance sheet date. Accordingly, there is no difference between basic and diluted earnings per share. The Company's share capital as of 31/12/2019 stands at EUR 2,904,304.00. The calculation of earnings per share was based on 2,831,427 shares (previous year: 2,704,304 shares). This (taking into account a capital increase of 200,000 shares) corresponds to the weighted average of common shares in issue. The consolidated net loss of TEUR -7,828 (previous year: EUR -7,778 thousand) was used as the basis for the calculation.

Earnings per share in 2019 are EUR -2.76 (previous year: EUR -2.88).

[9] SHARE-BASED PAYMENTS

2017 option plan

In the 2018 financial year, Mynaric AG granted subscription rights to selected employees in the form of stock options (hereafter "options") from the 2017 options plan. A subscription right entitles the holder to acquire shares in the Company at the respective exercise price. The waiting period for exercising the options is 4 years after the date on which the options were granted. The options can be exercised within 2 years following expiration of the vesting period to the extent that the performance targets have been achieved. The performance targets are linked to the absolute performance of the Company's share price during the waiting period. One third of the options may be exercised if the volume-weighted 6-months average price of the Company's share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange at the end of the waiting period is at least 20% above the exercise price, another third when at least 30% above the exercise price and the final third when at least 50% above the exercise price.

2019 options plan

In the 2019 financial year, subscription rights were granted to selected employees in the form of options from the 2019 options plan. A subscription right entitles the holder to acquire shares in the company at the respective exercise price. The waiting period for exercising the options is 4 years after the date on which the options were granted. The options can be exercised within 3 years following expiration of the vesting period to the extent that the performance target has been achieved. The performance target is linked to the absolute performance of the Company's share price during the waiting period. The options may be exercised only if the volume-weighted 6-months average price of the Company's share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange at the end of the waiting period is at least 20% above the exercise price. In addition to the options for beneficiaries, the 2019 option plan (Tranche 2019 I) granted options as compensation for the waiving of claims arising from the options granted in 2018 as part of the 2017 option plan. Additional options were also granted at the end of 2019 from the 2019 option plan (Tranche 2019 II).

This granting of options from the 2017 and 2019 option plans was classified and measured as share-based payments offset by equity instruments in accordance with IFRS 2. The fair value is therefore determined only once on the grant date. The calculated expense must then be spread over the so-called vesting period.

The following table provides an overview of outstanding, granted, forfeited, exercised and expired options. It should be noted that the subscription rights granted in the 2019 option plan as compensation for the waiving of claims arising from the subscription rights granted in the 2017 option plan are reported as "forfeited in the reporting period". The options granted as compensation for the waiving of options from the 2017 option plan were recognized in accordance with the regulations of IFRS 2 for compensation plans.

The options developed over the 2019 financial year as follows:

IN TEUR	TRANCHE 2018	TRANCHE 2019 I	TRANCHE 2019 II
Options outstanding at the start of the 2019 reporting period (01/01/2019)	20,000	-	-
Options granted in the 2019 reporting period	-	109,800	20,000
Options forfeited in the 2019 reporting period	17,800	-	-
Options exercised in the 2019 reporting period	-	-	-
Options expired in the reporting period 2019	700	-	-
Options outstanding at the end of the 2019 reporting period (31/12/2019)	1,500	109,800	20,000
Options exercisable at the end of the 2019 reporting period (31/12/2019)	-	-	-

The options developed over the 2019 financial year as follows:

	TRANCHE 2018
Options outstanding at the start of the 2018 reporting period (01/01/2018)	-
Options granted in the 2018 reporting period	20,000
Options forfeited in the reporting period 2018	-
Options exercised in the 2018 reporting period	-
Options expired in the 2018 reporting period	-
Options outstanding at the end of the 2018 reporting period (31/12/2018)	20,000
Options exercisable at the end of the 2018 reporting period (31/12/2018)	-

No options were exercised in the 2019 financial year. The remaining contractual term of the options from the 2017 option plan is 4.40 years, 6.75 years from the Tranche 2019 I option plan and 7.0 years from the Tranche 2019 II options plan.

Valuation model and input parameters

The valuation of the existing option programs was carried out using Monte Carlo simulation, taking into account the option conditions. The following table shows the input parameters of the model as of 31/12/2019:

	TRANCHE 2018	TRANCHE 2019 I	TRANCHE 2019 II
Exercise price (in €)	59.15	42.46	41.03
Term in years	6	7	7
Remaining term in years	4.40	6.75	7.0
Share price at valuation date (in €)	52.20	38.00	38.50
Expected dividend yield (in %)	0.00	0.00	0.00
Expected volatility (in %)	46.41	45.91	45.66
Risk-free interest rate (in %)	0.04	-0.74	-0.39
Options value (in €)	15.71	11.53	12.42

As part of the valuation for the previous year (31/12/2018), the following parameters were used:

	TRANCHE 2018
Exercise price (in €)	59.15
Term in years	6
Remaining term in years	5.40
Share price at valuation date (in €)	52.20
Expected dividend yield (in %)	0.00
Expected volatility (in %)	46.41
Risk-free interest rate (in %)	0.04
Options value (in €)	15.71

The term of the options and the ability to exercise them early were taken into account in the option model. Early exercise is assumed if the share price exceeds 1.2 times the exercise price. To determine the risk-free interest rate, the implicit yield of German government bonds with equivalent maturities was used. Since the stock market history of Mynaric AG is shorter than the remaining term of the options, the volatility was determined as the term-equivalent historical volatility on the basis of the peer group. The expected volatility taken into account is based on the assumption that future trends can be inferred from historical volatility, so that the actual volatility may deviate from the assumptions made.

Total expenses for share-based payments recognized in the reporting period are TEUR 105 (previous year: TEUR 32). The capital reserve as of 31/12/2019 is TEUR 137 (previous year: TEUR 32).

VIII. NOTES ON THE CONSOLIDATED BALANCE SHEET

[10] INTANGIBLE ASSETS

DEVELOPMENT OF INTANGIBLE ASSETS: HISTORICAL COST

IN TEUR	
As of 01/01/2018	1,178
Additions	3,217
Disposals	0
As of 31/12/2018–01/01/2019	4,395
Additions	6,100
Disposals	0
As of 31/12/2019	10,495

DEVELOPMENT OF INTANGIBLE ASSETS: ACCUMULATED AMORTIZATION

IN TEUR	
As of 01/01/2018	18
Additions	142
Disposals	0
As of 31/12/2018–01/01/2019	160
Additions	110
Disposals	0
As of 31/12/2019	270
Net book value as of 31/12/2019	10,224
Net book value as of 31/12/2018	4,235

The intangible assets primarily comprise capitalized expenses for the development of satellite and air terminals (carrying value: TEUR 10,139; previous year: TEUR 4,120) as well as software acquired from third parties (carrying value: TEUR 85; previous year: TEUR 115). Costs for development projects are primarily attributed to the satellite terminal in the amount of TEUR 6,514 (previous year: TEUR 2,980) as well as to the air terminal in the amount of TEUR 3,216 (previous year: TEUR 760). Capitalized development costs increased during the reporting period by TEUR 6,086 (previous year: TEUR 3,154). Development costs were amortized in the amount of TEUR 66 (previous year: TEUR 0) due predominantly to the amortization of completed development of ground stations applying a useful life of 3 years.

[11] RIGHTS OF USE FROM LEASE AGREEMENT

DEVELOPMENT OF RIGHTS OF USE FROM LEASE AGREEMENT: HISTORICAL COST

IN TEUR	
As of 01/01/2019	0
Additions	7,179
Disposals	0
As of 31/12/2019	7,179

DEVELOPMENT OF RIGHTS OF USE FROM LEASE AGREEMENTS: ACCUMULATED AMORTIZATION

IN TEUR	
As of 01/01/2019	0
Additions	479
Disposals	0
As of 31/12/2019	479
Net book value as of 31/12/2019	6,700

The book value for leasing liabilities amounted to TEUR 6,744 as of 31/12/2019, of which TEUR 6,080 was long-term and TEUR 664 was short-term.

The recorded rights of use refer to land and buildings. The underlying lease has as term of 10 years. Through 2018, leases were classified as either financial or operating leases. Payments for operating leases (less any incentives received from the lessor) were recognized through profit and loss on a straight-line basis over the term of the lease.

[12] PROPERTY, PLANT AND EQUIPMENT

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT: HISTORICAL COST

IN TEUR	
As of 01/01/2018	1,039
Additions	1,933
Disposals	-97
As of 31/12/2018–01/01/2019	2,875
Additions	1,988
Disposals	-192
As of 31/12/2019	4,671

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT: ACCUMULATED DEPRECIATION

IN TEUR	
As of 01/01/2018	234
Additions	267
Disposals	-77
As of 31/12/2018–01/01/2019	424
Additions	586
Disposals	-194
As of 31/12/2019	816
Net book value as of 31/12/2019	3,855
Net book value as of 31/12/2018	2,451

Property, plant and equipment comprise TEUR 1,094 leasehold improvements in buildings on third-party land (previous year: TEUR 0), TEUR 1,641 in technical equipment and machinery (previous year: TEUR 748) and TEUR 636 in operating and office equipment (previous year: TEUR 357). Payments on account and assets under construction in the amount of TEUR 484 (previous year: TEUR 1,346) primarily refer to the investments in the new premises leased in 2019.

[13] INVENTORIES

Inventories increased to TEUR 3,255 compared to the previous year (TEUR 2,003).

IN TEUR	31/12/2019	31/12/2018
Raw materials, supplies and consumables	733	23
Work in progress	2,145	1,618
Finished goods	0	0
Advance payments made	377	362
Total	**3,255**	**2,003**

Advance payments were assigned to inventories due to their close relationship.

Only very negligible write-downs on inventories due to a lower net realizable value on the balance sheet date were necessary in the financial year.

[14] TRADE RECEIVABLES

As of the balance sheet date, receivables were denominated in euros and US dollars. The maximum default risk of the receivables is the carrying amount on the balance sheet.

IN TEUR	31/12/2019	31/12/2018
Trade receivables	76	317
Less impairment	0	0
	76	317
Impairment as of 01/01	0	0
Contribution	210	0
Derecognition of receivables	210	0
Reversal	0	0
As of 12/31	0	0

Trade receivables as of 31/12/2019 are due in the following time intervals:

In TEUR	≤ 30 DAYS	31–60 DAYS	61–90 DAYS	91–180 DAYS	> 180 DAYS
Trade receivables	76	0	0	0	0

Trade receivables as of 31/12/2018 are due in the following time intervals:

In TEUR	≤ 30 days	31–60 days	61–90 days	91–180 days	> 180 DAYS
Trade receivables	317	0	0	0	0

[15] FINANCIAL AND NON-FINANCIAL OTHER ASSETS (CURRENT AND NON-CURRENT)

	31/12/2019		31/12/2018	
IN TEUR	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
NON-FINANCIAL ASSETS				
VAT receivables	163	0	280	0
Deferrals	212	0	76	0
Payments on account	0	0	0	0
Other	14	0	9	0
FINANCIAL ASSETS				
Deposits	50	226	133	23
Accrued interest	65	0	0	0
Bank balances with residual maturities of over 3 months	771	0	771	1,543
Total	**1,275**	**226**	**1,269**	**1,566**

The maximum default risk of financial assets equals to the carrying amount reported on the face of the balance sheet.

Balances at banks classified as other financial assets are only subject to insignificant risks of changes in value. They comprise a fixed-term deposit of TUSD 875 due on 08/24/2020.

[16] CASH AND CASH EQUIVALENTS
Cash and cash equivalents totaled TEUR 8,914 (previous year: TEUR 12,923) on the balance sheet date and comprise mainly cash on hand, bank balances and a fixed-term deposit of TUSD 875 due on 02/24/2020. Bank balances are only subject to insignificant risks of changes in value. Cash and cash equivalents correspond to the funds in the cash flow statement.

[17] SUBSCRIBED CAPITAL
As of 01/01/2019, the Company's share capital was EUR 2,704,304, divided into 2,704,304 ownership shares, each with a par value of EUR 1.00. The Management Board and the Supervisory Board decided on 03/18/2019 to increase the Company's share capital, with partial utilization of the 2017/I authorized capital, by EUR 200,000.00 from EUR 2,704,304.00 to EUR 2,904,304.00 by issuing 200,000 new bearer shares, each amounting to EUR 1.00 of the share capital, against cash contributions.

(A) CONTINGENT CAPITAL
The existing 2017 contingent capital was revoked at the Annual General Meeting on 07/02/2019 except for a balance of EUR 20,000.00. In its place, new contingent capital was created for 2019 in the amount of EUR 270,000.00. With the Supervisory Board's approval, the Management Board is authorized through 12/31/2022 ("authorization period") to grant subscription rights ("options") on one or more occasions for:

- A total of up to 135,000 no-par value bearer or registered shares in the Company to members of the Company's Management Board or executives of affiliated companies ("beneficiaries").

- A total of up to 135,000 no-par value bearer or registered shares in the Company to employees of the Company or of affiliated companies ("beneficiaries").

As far as members of the Management Board are concerned, the Supervisory Board is authorized.

(B) AUTHORIZED CAPITAL
The 2017/I authorized capital totaling up to EUR 735,696.00 against cash and/or non-cash contributions through the issuing of up to 735,696 new no-par value bearer shares was revoked at the Annual General Meeting on 07/02/2019. With the Supervisory Board's approval, the Management Board is instead authorized to increase the Company's share capital on one or more occasions by a total of up to EUR 1,352,152 by issuing up to 1,352,152 new no-par value bearer shares against cash and/or non-cash contributions until 07/01/2024 (2019 authorized capital).

[18] CAPITAL RESERVE
As of 31/12/2019, the capital reserve totaled TEUR 46,174. The change on 01/01/2019 with a balance of TEUR 35,689 was mainly the result of the increase in share capital decided on 03/18/2019 and the resulting additional contributions above the issue price of the shares totaling TEUR 10,800. The capital reserve was reduced by capital procurement costs totaling TEUR 420. In the 2019 reporting period, TEUR 105 (previous year: TEUR 32) were added to the capital reserve for share-based payments compensation.

[19] CURRENCY TRANSLATION DIFFERENCES (EQUITY FROM UNREALIZED GAINS/LOSSES)
Cumulative currency translation differences of TEUR 52 (previous year: TEUR 10) comprise unrealized gains/losses from currency conversion in the amount of TEUR -43 (previous year: TEUR -47).

[20] OTHER PROVISIONS (LONG-TERM AND SHORT-TERM)

IN TEUR	01/01/2019	UTILI-ZATION	REVERSALS	ADDITIONS	31/12/2019
Personnel	816	647	164	1,065	1,070
Legal disputes	245	23	72	0	150
Year-end closing expenses and audit fees	69	36	0	57	90
Supervisory Board remuneration	35	15	0	25	45
Warranties	22	0	2	0	20
Other	123	31	79	171	184
Total	**1,310**	**752**	**317**	**1,318**	**1,559**

IN TEUR	LONG-TERM PROVISIONS	
Personnel	0	0
Legal disputes	0	0
Year-end closing expenses and audit fees	0	0
Supervisory Board remuneration	0	0
Warranties	19	20
Other	6	6
Total	**25**	**26**

[21] CURRENT OTHER FINANCIAL AND NON-FINANCIAL OTHER LIABILITIES

IN TEUR	31/12/2019	31/12/2018
NON-FINANCIAL LIABILITIES		
Social security and payroll tax liabilities	171	123
Other	1	4
FINANCIAL LIABILITIES		
Other financial liabilities	5	19
Total	**177**	**146**

[22] ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS

	31/12/2019		31/12/2018	
IN TEUR	LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM
Amortized cost (AmC)				
Other financial assets	886	226	904	1,566
Cash and cash equivalents	8,914	0	12,923	0
Trade receivables	76	0	317	0
Total	**9,786**	**226**	**14,144**	**1,566**
Acquisition costs (FLAC)				
Trade payables	1,207	0	1,270	0
Other financial liabilities	5	0	19	0
Total	**1,212**	**0**	**1,289**	**0**

It is assumed that the carrying amount of other financial assets, trade receivables and cash and cash equivalents, equals their fair value due to the short-term status.

The carrying amount of the non-current financial assets in the AmC category have a book value that approximate their fair value. They comprise bank balances and interest-free deposits; based on the current low level of interest rates, there is hardly any difference.

In the case of current financial liabilities in the amortized cost category (FLAC), such as trade payables and other financial liabilities, the book value corresponds to the fair value due to the short-term nature.

Net results comprise interest income of TEUR 105 and interest expenses of TEUR 92. They are presented in the section on financial results.

NET RESULTS BY VALUATION CATEGORY 2019

IN TEUR			OTHER INCOME AND EXPENSE/ PROFIT AND LOSS ITEMS
Financial assets	AmC	FLAC	210

NET RESULTS BY VALUATION CATEGORY 2018

IN TEUR			OTHER INCOME AND EXPENSE/ PROFIT AND LOSS ITEMS
Financial assets	AmC	FLAC	11

Trade receivables and cash and cash equivalents are basically subject to the valuation requirements of IFRS 9. The credit risk of all bank balances is classified as low at each balance sheet date. Due to the customer structure, the default risk for trade receivables is also classified as low. Expected credit losses were not recognized in the trade receivables according to IFRS 9 due to their immaterial impact. As of 31/12/2019, a receivable in the amount of TEUR 210 from a single customer needed to be derecognized. This was due to a one-off circumstance and does not affect the recoverability of the remaining customer receivables.

All other current debt instruments measured at amortized cost are also considered to have a low default risk, since the risk of non-performance is low and it is assumed that debtors will be able to meet their contractual payment obligations. It was not necessary to recognize a write-down for the expected 12-month credit losses (Level 1).

[23] CASH FLOW STATEMENT

Cash and cash equivalents equal cash and cash equivalents at the balance sheet date, which comprise cash on hand and mainly bank balances.

The right of use and the leasing liability in the amount of TEUR 7,719 for the real estate at the Gilching location were recognized as non-cash items.

IX. FINANCIAL RISK MANAGEMENT

LIQUIDITY RISKS

Prudent liquidity risk management means maintaining sufficient cash and cash equivalents to meet obligations that fall due. Management uses rolling forecasts to monitor the cash and cash equivalents on the basis of expected cash flows. This is generally carried out centrally for the Group. To ensure the Group's solvency and continuation, it is necessary to implement the adapted success and liquidity plans for the years 2020 and 2021, and to ensure needs-based financing in the form of debt and/or equity capital. Under these conditions, sufficient liquidity will be ensured to cover the financial needs that have since arisen.

BREAKDOWN OF SETTLEMENT PERIODS FOR FINANCIAL LIABILITIES

31/12/2019

IN TEUR	< 1 YEAR	1–2 YEARS	3–5 YEARS	> 5 YEARS	TOTAL
Trade payables	1,207	0	0	0	1,207
Other current financial liabilities	5	0	0	0	5
Total	**1,212**	**0**	**0**	**0**	**1,212**

31/12/2018

IN TEUR	< 1 YEAR	1–2 YEARS	3–5 YEARS	> 5 YEARS	TOTAL
Trade payables	1,270	0	0	0	1,270
Other current financial liabilities	19	0	0	0	19
Total	**1,289**	**0**	**0**	**0**	**1,289**

CREDIT/DEFAULT RISKS

Credit risks are generally considered to be small. In principle, there are general default risks that can generally occur at any time as a result of economic conditions. The receivables portfolio is mainly divided between public-sector customers or subsidy grants and major customers who are subject to a credit analysis. Therefore, the default risk of the receivables is considered to be manageable. For this reason, receivables are not insured throughout the Group. The inclusion of current and forward-looking information is based on the Group's estimates with regard to its exposure to credit risk within customer structure.

CURRENCY RISKS

The Group operates predominantly within the Eurozone and is therefore exposed to low foreign currency risks from operating activities. Sales are also conducted in foreign currencies (USD). The cash inflows generated in USD will be used to finance the US subsidiary. At the balance sheet date, there were mainly receivables in USD in the amount of TEUR 0 (previous year: TEUR 201). There is also a fixed-term deposit of TUSD 1,750, with TUSD 875 due by 02/24/2020 and the remainder due by 08/24/2020, that is intended to finance Mynaric USA Inc. No significant purchases are made in foreign currency (USD).

INTEREST RATE RISKS

The Group has interest-bearing financial assets in the form of a fixed-rate, fixed-term deposit of TUSD 1,750, TUSD 875 of which is due on 02/24/2020 and the remainder on 08/24/2020, but does not have interest-bearing financial liabilities. Therefore, there are no special interest rate risks.

CAPITAL RISK MANAGEMENT

One of the Group's most important financial targets is to achieve sustained growth in enterprise value and to ensure solvency at all times in the interests of protecting its going-concern status and to achieve an optimal capital structure. Ensuring that sufficient liquidity is available is of crucial importance in this context. These goals are achieved by means of an integrated controlling concept, whereby the management receives various data on individual items of the balance sheet as part of a monthly analysis. This provides information on trends for necessary business decisions. As of 31 December 2019, the Company's equity ratio stands at 72% (previous year: 89%). The decrease was mainly the result of the first-time application of IFRS 16 and the associated reporting of the leasing liability for the leased building. The equity ratio was calculated as the total equity in relation to the balance sheet total. The overall strategy pursued by the Group was unchanged from 2018.

X. OTHER INFORMATION

SEGMENT REPORTING

According to IFRS 8, operating segments are to be defined on the basis of the internal segment reporting, which is regularly reviewed by the Company's decision makers with respect to decisions on the allocation of resources to these segments and the assessment of their profitability. There is no such internal segment reporting in the Mynaric Group (single segment company).

Sales are broken down by regions as follows:
Sales revenues were divided between Asia at 74% (previous year: 92% in the United States) and Europe at 26% (previous year: 8%).

One customer of the Mynaric Group accounted for TEUR 330 (previous year's period: TEUR 1,072) or 74% (previous year: 70%) of total sales.

OTHER FINANCIAL OBLIGATIONS

	31/12/2019			
IN TEUR	**≤ 1 YEAR**	**1–5 YEARS**	**> 5 YEARS**	**TOTAL**
Lease contracts (operating leases)	56	0	0	56
Consultancy contracts	352	317		669
Other	266	6	0	272
Total	**674**	**323**	**0**	**997**

In the current year, expenses from operating leasing agreements amounting to TEUR 87 (previous year: TEUR 354) were recognized as other operating expenses. There are no purchase options.

The lease agreement for the real estate at the Gilching location that was concluded on 05/01/2019 for a period of 10 years is reported in accordance with IFRS 16 and is thus not included in the other financial obligations.

EMPLOYEES

Over the financial year, the Mynaric Group employed an average of 82 people (previous year: 73), of whom 19 (previous year: 16) are employees of Mynaric AG, 56 (previous year: 52) are employees of Mynaric Lasercom GmbH, 3 (previous year: 0) are employees of Mynaric Systems GmbH and 4 (previous year: 5) are employees of Mynaric USA Inc. Management Board members and managing directors are not included in the number of employees.

CORPORATE BODIES

The Company's Management Board members are:
- Dr Wolfram Peschko (Dr rer.nat.), Board of Finance & Administration, Gauting
- Dr Markus Knapek (Dr-Ing.), Munich (until 03/13/2019), Managing Director of Mynaric Systems GmbH
- Joachim Horwath (Dipl.-Ing.), Gilching (until 03/13/2019), Managing Director of Mynaric Lasercom GmbH
- Bulent Altan (Master of Science in Aerospace), Playa Vista, California (from 03/13/2019)
- Hubertus Edler von Janecek (Dipl.-Ing.), Munich (from 03/13/2019)

The Company's Supervisory Board members are:
- Dr Manfred Krischke, Chairman, CEO of Cloudeo AG
- Dr Gerd Gruppe, Vice Chairman, Board of Aerospace Management at DLR (ret.)
- Dr Thomas Billeter, investor and business angel
- Peter Müller-Brühl, COO of GreenCom Networks AG
- Thomas Mayrhofer, attorney-at-law, partner at the law firm Pinsent Masons Germany LLP (from 04/01/2019)

BOARD MEMBERS HOLDINGS

According to the provided information, the Company's Board Members hold shares of the Company as follows:

	SHARES AS OF 31/12/2019	**SHARES AS OF 31/12/2018**	**CHANGES BETWEEN 2018/2019**
Dr Wolfram Peschko	210,089	210,089	0
Peter Müller-Brühl	4,445	4,445	0

INFORMATION ON RELATED PARTIES

In addition to the members of the Management Board and the Supervisory Board, affiliated persons in accordance with IAS 24 are Ariane Knapek. The latter is employed part-time in the Company as an employee and receives a salary at arm's length terms.

Affiliated companies, aside from Group subsidiaries that are all being fully consolidated, are:

• MCConsult GbR, Gilching (previously Adelanto management services s.I.)

Transactions with affiliated parties are concluded at arm's length terms. During the financial year, expenses totaling TEUR 273 (previous year: TEUR 298) were incurred from affiliated companies for services received.

REMUNERATION

As a matter of principle, the Management Board comprises fixed and variable components. In the reporting period, share-based compensation components in the amount of 66,000 options were granted to the Management Board in the 2019 options plan. Total remuneration for the Management Board for the 2019 financial year totaled TEUR 770 (previous year: TEUR 766), of which TEUR 153 (previous year: TEUR 176) accounted for variable remuneration components and TEUR 617 (previous year: TEUR 590) for fixed remuneration components.

Total remuneration for the Supervisory Board for the 2019 reporting period was TEUR 63 (previous year: TEUR 65), of which TEUR 20 (previous year: TEUR 20) was paid to the chair, TEUR 15 to the vice chair (previous year: TEUR 15) and TEUR 10 (previous year: TEUR 10) to each other Supervisory Board member as annual compensation. Variable remuneration components were waived. The provisions for Supervisory Board remuneration as of 31 December 2019 totaled TEUR 44 thousand (previous year: TEUR 35).

AUDITOR'S FEES AND SERVICES

In the financial year, the Mynaric Group reported the following audit fee:

- Audit of the single and consolidated financial statements: TEUR 89 (previous year: TEUR 40).

EVENTS AFTER THE BALANCE SHEET DATE

The Management Board and Supervisory Board resolved on 02/04/2020 to increase share capital from EUR 290,430 divided into 290,430 bearer shares, each with a par value of EUR 1.00, from the authorized capital excluding subscription rights. As part of this capital increase, TEUR 12,053 in issue proceeds was allocated to the capital reserve. The Supervisory Board approved the capital increase the same day. The cash was contributed in February 2020.

How the corona pandemic will affect the economic development in individual countries and ultimately the Mynaric AG and its subsidiaries depends on the further spread of the virus and how quickly and effectively the measures to contain it are effective. How long the economy will suffer as a result of the corona pandemic and how severe the negative consequences for the economy will be is extremely difficult to estimate based on the actual available information. Similarly, the financial impact and economic consequences for the Mynaric AG and its subsidiaries are currently not predictable. In this context, we also refer to the comments in the management report under points II. (Risk report) and IV. (Forecast report).

Gilching, 28 March 2020

The Management Board

Dr Wolfram Peschko	Bulent Altan	Hubertus Edler von Janecek

MANAGEMENT REPORT OF THE GROUP FOR FINANCIAL YEAR 2019

1. PRINCIPLES OF THE COMPANY

The Mynaric Group, alongside the parent company, consists of three operating subsidiaries. The headquarters of Mynaric AG is Dornierstrasse 19 in 82205 Gilching, Germany. It is entered in the Commercial Register of the Munich District Court under the number HRB 232763. The Company's shares are listed on the Regulated Unofficial Market (Scale segment) of the Frankfurt Stock Exchange. The objective of the Company is the development, manufacture, sale and operation of equipment, software, systems and solutions for communication networks as well as the holding and administration of investments in companies active in this field and the provision of related services. Mynaric AG acts as an active holding company that finances and manages the subsidiaries within the Group and is also the ultimate parent company. The Mynaric Group is primarily active in the manufacture and sale of products and projects and in the provision of services in the field of laser technology, in particular in the aerospace, telematics and satellite services sectors.

2. ECONOMIC REPORT

I. Macroeconomic development

Even though the global economy experienced noticeable growth in 2019, the rate calculated by the International Monetary Fund (IMF) of around 3.0% puts it below the previous year's rate of 3.6%.[1] The political and economic conflicts spreading across the globe have, accordingly, a negative impact on the development of the global economy. In developed countries, the previous year's growth of 2.3% fell to just 1.7% this year. Germany fell well short of the previous year's growth of 1.5%, coming in at just 0.5%. The United States and the Eurozone also saw less growth than the previous year, at 2.4% (previous year: 2.9%) and 1.2% (previous year: 1.9%), respectively. Though the growth rates in China continued to be higher than in Europe and the United States, growth slowed over the previous year, at 6.1% compared to 6.8%.[2]

II. Market environment

The optical satellite communications market will see highly promising development in the coming years, especially due to the rapidly growing market for satellite constellations. According to Northern Sky Research, satellite-based optical communications equipment is projected to reach a cumulative market volume of USD 3.8 billion.[3]

The market is now seeing real expansion – a proper space race is taking shape, essentially driven by large, multinational technology giants: not only SpaceX and OneWeb but also by a company like Amazon. One solid indication of how the new space economy is advancing is the number of mega-constellation satellite launches that have been conducted and are planned: SpaceX: 240 launched, 42,000 planned; OneWeb: 40 launched, 1,980 planned; Amazon: 3,236 planned.[4]

Beyond its use in space, the benefits of laser communication for airborne platforms are also convincing. The diversity of future applications is a clear signal that the focus is not only on broadband communication but also on earth observation and the promise of absolutely secure data transmission.

For the laser communication market of the future, this specifically means:

1. Space companies building satellite constellations will soon incorporate optical intersatellite communication.
2. Businesses offering airborne platforms will not rely on radio frequency technology alone and strive toward secure, high-speed connections over limited geographical areas using laser communication.

[1] www.imf.org/~/media/Files/Publications/WEO/2019/October/English/text.ashx?la=en
[2] www.imf.org/~/media/Files/Publications/WEO/2019/October/English/text.ashx?la=en
[3] www.nsr.com/nsr-report-constellations-drive-a-3-8-billion-opportunity-for-optical-satcom-equipment/
[4] ESA presentation at the BDI/vwb evening event for the 56th Munich Security Conference on 14 February 2020: From New Space to Space Force

III. Business performance

a. Net assets

The Mynaric Group invested around EUR 8.1 million into assets in the 2019 financial year. It also acquired rights of use to a new building on a 10-year lease worth around EUR 7.2 million.

This is due primarily to the increase in the Group's own intangible assets through the capitalization of development costs. The 2019 financial year also saw the Group's first amortization of its own intangible assets. Overall, investments (excluding rights of use) totaled EUR 7.4 million more than amortizations and depreciations.

Non-current assets increased to 61% (previous year: 33%) of the balance sheet total, due essentially to rights of use from leasing agreements being included on the balance sheet for the first time.

Of current assets, inventories grew EUR 1.3 million, from EUR 2.0 million to EUR 3.3 million, due to the start of pre-series production. Cash and cash equivalents fell EUR 4.0 million from the end of the 2018 financial year to EUR 8.9 million.

Overall, the Group's balance sheet total therefore increased 39%, from EUR 24.8 million to EUR 34.5 million.

b. Financial position

Consolidated equity as of 31 December 2019 is EUR 24.9 million. The equity ratio decreased from 89% to 72%, largely as a result of recording a building lease in the amount of TEUR 6.744 as of 31 December 2019 as a leasing liability per IFRS 16 as well as of a consolidated net loss of TEUR 7,828 despite a capital increase of TEUR 200 into subscribed capital as well as the contribution of TEUR 10,800 into the capital reserve in March 2019.

In the 2019 financial year, the Mynaric Group's generated cash flow was TEUR -4,072, well above the previous year's level of TEUR -15,600.

Cash flow from operating activities improved from TEUR -8,035 to TEUR -7,422 over the financial year, caused predominantly by increased depreciation and amortization of property, plant and equipment and intangible assets totaling TEUR 1,172 compared to TEUR 409 in the previous year at a relatively constant EBIT of TEUR -7,860 (previous year: TEUR 7,778).

Cash flow from investing activities, despite a significant increase of TEUR 2,938 to TEUR 8,088 in investments in property, plant and equipment and intangible assets, decreased from TEUR 7,443 in the previous year to TEUR 6,528. The reason for this is the fixed-term deposit of TEUR 2,314 in USD in the previous year, TEUR 1,563 of which expired in the 2019 financial year and was then reaccrued by the Group.

The positive cash flow of TEUR 9,984 (previous year: TEUR 0) from financing activities primarily resulted from the capital increase of TEUR 200 into subscribed capital in March 2019, the contribution of TEUR 10,800 into the capital reserve less incurred capital procurement costs as well as a payment of TEUR 435 (previous year: TEUR 0) to settle leasing liabilities.

When commuted, cash and cash equivalents decreased from TEUR 12,923 on 31/12/2018 to TEUR 8,914 at the end of the financial year.

With its listing in the Scale segment of the German Stock Exchange's Open Market and its access to investor networks, Mynaric AG can provide the Group with funds to finance business operations. To secure further financing for the Group, the Company further increased share capital by EUR 290,430 in February 2020. TEUR 12,053 was allocated to the capital reserve. The cash was contributed in February 2020.

Given the Group's continued growth and expanded production, Mynaric AG is examining additional equity and borrowing measures as well as funding options.

c. Results of operations

In the 2019 financial year, the Mynaric Group recorded TEUR 444 (previous year: TEUR 1,364) in total sales.

Other own work capitalized, based largely on capitalized development costs, increased TEUR 3,031 compared to the previous year. For Mynaric's development activities, see the notes in the "Research and development" section.

The Mynaric Group's innovative approaches and development activities allow it to receive funding from relevant institutions. In the 2019 financial year, other operating income included TEUR 140 (previous year: TEUR 227) in funding. Of particular note is the Company's order situation, which has grown significantly from the previous year.

Cost of materials remained virtually the same as the previous year's, at TEUR 2,790 to TEUR 2,635. When broken down by quarter, however, there was a significant increase in Q4. With the increase in employees from an average of 73 to 82 in the 2019 financial year, personnel expenses increased proportionally by TEUR 984, from TEUR 7,195 to TEUR 8,179.

Other operating expenses fell TEUR 407, or 11%, to TEUR 3,426, due to the introduction of the new IFRS 16 standard, which was first applied in 2019. Accordingly, payments on the new building leased will no longer be recorded as other operating expenses, rather TEUR 478 of the expense for the building lease will be recorded as depreciation and TEUR 92 as an interest expense.

The Group's net financial result in the financial year was TEUR -13, compared to TEUR 0 in the previous year, resulting mainly from two offsetting effects: TEUR 105 in interest income on a fixed-term deposit of USD credit and TEUR 92 in interest expenses from the discounting of the leasing liability by applying IFRS 16.

At TEUR 7,828, the consolidated net loss for 2019 remained at virtually the same level as the previous year's TEUR 7,778.

d. General statement

In the 2019 financial year, the Mynaric Group met all of its goals, especially its self-defined level of product development and the setup of pre-series production. The Management Board therefore considers the performance of the business very satisfactory.

This positive assessment is based on the following critical competitive factors:

1. The first generation of the commercial laser communication terminal for use in unmanned airborne platforms has reached a level of development that will allow final testing by customers starting in 2020. Specifically, this means that the HAWK products from pre-series production can be delivered to customers for evaluation regarding performance and installation options. This allows customers to make decisions for larger overall systems.
2. As of the end of 2019, the products of space applications have reached a level of development that allows the final critical qualification phases to be conducted in H1 2020. The benchmark here is strict, since the delivered product – once in use in orbiting satellites – will no longer be modifiable. Current progress promises that the first CONDOR terminals will be able to be used in customer validation missions starting in H2 2020.
3. Through new employees, Mynaric was able to more than cover the need for know-how and experts that has increased since the start of pre-series production. This means the personnel needs for smoothly ramping up and winding down the production process are guaranteed in the initial stage.
4. The level of development and bandwidth of its products for aerospace and ground applications, the process management it has installed, and its highly qualified employees all consolidate Mynaric's market position.

3. RESEARCH AND DEVELOPMENT

Research and development in 2019 focused on two areas: finalization of 1st generation product development and preparation for the next generation. The product for the aviation segment is finalized. The product for the space segment has passed its critical design review. The next generation will focus on optimizing important factors requested by customers and potential customers: size, weight, power and performance ("SWaPP" in the industry). Modifications to a series of pilot projects will be tested.

Internally, important expertise was added to the development team, such as structural analysis (space) and high-frequency technology design experts. In the financial year, the Mynaric Group employed an average of 45 people in the area of development. New qualified third-party providers cover supply chains for, e.g., optics, mechanics, precision mechanics, coating and electronics – assuming defined quality, scalability and price structure conditions are met. In the reporting period, the Company invested a total of TEUR 8,287 into the development of its products (total expenditure for research and development), of which TEUR 6,086 was capitalized. This included TEUR 1,128 of services purchased from external research institutes as well as businesses.

The facilities for this area were equipped in line with the advancement of the products. This included the commissioning of a thermal vacuum chamber, the installation of a clean room with temperature and humidity control as well as the construction of several flow boxes (clean room cells) in the assembly and quality assurance areas.

4. FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

Financial performance indicators

Due to the Mynaric Group's transition from a development to a production company, the key indicators currently are incoming orders and total output.

Non-financial performance indicators (employees)

During the 2019 financial year the Mynaric Group employed an average of 82 people (previous year: 73). Due to strong growth, in particular in Q4, the Group employed 90 people as of 31/12/2019.

Mynaric considers its employees an essential factor of success. On the one hand, the Group's economic success critically depends on employee performance. On the other, Mynaric relies on highly qualified personnel for its business operations.

This is why Mynaric offers its employees a series of perks as well as qualification and motivational measures. These include free beverages, fresh fruit, a lunch allowance or, alternatively, EUR 44 in non-cash benefits. In addition, the Company promotes collaborative social, sports and teambuilding activities. Flexible working hours and overtime accounts for all employees are of particular note.

Mynaric values the individual and needs-based personal development of each employee. Annual feedback and growth meetings determine necessary qualification programs and training. An internal jobs portal offers opportunities for growth and change within the Group.

5. RISK, OPPORTUNITY AND FORECASTING REPORT

I. Subsequent reporting

Regarding transactions of particular importance occurring after 31 December 2019, see the appropriate reporting in the notes to the consolidated financial statements for the financial year 2019.

II. Risk report

The business activities of the Mynaric Group expose it to an array of risks. Internal control and monitoring systems have been implemented to identify and manage these risks. This allows risks to be recognized early so that suitable actions for handling them can be defined and taken quickly.

IT security

Potential risks in the area of information technology, such as unauthorized access to data or data abuse, are taken into account in a security concept implemented throughout the entire Mynaric Group. This contains, in particular, user-specific access permissions and restrictions. Management ensures and monitors compliance with applicable data protection requirements.

Procurement markets

The potential risks of growing procurement costs or material shortfalls are countered with active supplier management. Mynaric strives toward long-term, trusting cooperation with suppliers, which ensure the Group is provided with the necessary materials and primary products. Nevertheless, an interruption in the supply chain can lead to production delays.

In 2020, the impact of SARS-CoV-2 in particular must be closely monitored. It is currently too early to estimate the impact of the coronavirus on the German economy. Prolonged production stoppages in high-risk areas may also affect industrial production in Germany over the medium term.

Special situation due to SARS-CoV-2

Mynaric is constantly staying informed of appraisals of the overall situation, risks and current recommendations by the Federal Ministry of Economic Affairs and Energy as well as major official sources. Mynaric has also established a coronavirus emergency task force from the Management Board, Human Resources, Process Management, Communication and Administration. The team is fully responsible for action recommendations, what-if scenarios, business continuity measures, information procurement, employees and – if worse comes to worst – crisis communication. This will continue to ensure the smoothest and most responsible business operations possible.

Market and industry development

Overall economic development naturally affects the economic situation of the Mynaric Group's customers, meaning downward trends in the economy can also impact them. This can result in a reduction, postponement or abandonment of planned investment projects by (potential) customers, with a corresponding drop in demand for Mynaric products.

Mynaric, however, assumes that the projected sector growth (see Section IV. "Forecasting report") in conjunction with the growing need for secure wireless communications with high throughput will produce favorable conditions for the rapid launch of innovative laser communication products.

Human resources

The Mynaric Group considers its employees an essential factor of success. Due to its business activities, the Group relies to a substantial degree on highly qualified employees in order to be successful. Potential human resources risks are both the departure of employees in key positions as well as the lack of opportunity to recruit new subject matter experts and get them to commit to Mynaric. There continues to be heavy competition for qualified workers in the region, which is also a challenge for Mynaric.

Liquidity

Prudent liquidity risk management means maintaining sufficient cash and cash equivalents to meet obligations that fall due. Management uses rolling forecasts to monitor the cash and cash equivalents on the basis of expected cash flows. This is generally carried out centrally for the Group. Liquidity as of the balance sheet date, including the capital increase implemented in February 2020 and potential other equity/borrowing measures, is sufficient to cover current financial needs in the 2020 financial year.

Credit/default risks

Credit risks are currently of little significance to Mynaric. In principle, there are general default risks that can generally occur at any time due to economic circumstances. The receivables portfolio is mainly divided between public-sector customers or subsidies granted and major customers who are subject to a credit analysis. Therefore, the default risk of the receivables is considered to be manageable. For this reason, receivables are not insured throughout the Group. The consideration of current and prospective information is based on the Group's estimates with regard to the credit default risk of the customer structure, in particular with regard to public-sector customers.

Currency risks

The Mynaric Group operates predominantly within the Eurozone and is therefore exposed to low foreign currency risks from ongoing business. Sales are also conducted in foreign currencies (USD). The cash inflows generated in USD are used within the Group to finance the U.S. subsidiary. There is also a fixed-term deposit of TUSD 1,750, with TUSD 875 due by 02/24/2020 and the remainder due by 08/24/2020, that is intended to finance Mynaric USA Inc.

Interest rate risks

The Group has interest-bearing financial assets in the form of a fixed-rate, fixed-term deposit of TUSD 1,750, TUSD 875 of which is due on 02/24/2020 and the remainder on 08/24/2020, but does not have interest-bearing financial liabilities. Therefore, there are no special interest rate risks.

Summary overview

Due to its risk monitoring and management mechanisms, the Mynaric Group considers itself well-positioned to handle potential risks. The Management Board does not see any risks for the 2020 financial year that could jeopardize the continued existence of the Group. Given the Group's continued growth and expanded production, management is examining additional equity and borrowing measures as well as funding options.

III. Opportunity report

Mynaric is a subsystem supplier in the aerospace networks market, meaning two core applications: communication and earth observation.

1. Billions of USD are currently being invested per system for satellite constellations used for communication. It is expected that laser communication will be used as part of these constellations for high-throughput data transmission between satellites and, therefore, to construct large-scale optical mesh networks in space.
2. Space Angels, the investment and venture capital firm specializing in the space economy, recently reported on the "beginning of the entrepreneurial space age" and determined that USD 2.1 billion was invested in aerospace companies in Q3 2019 alone, bringing total financing in the last year to USD 5 billion.[5]
3. In the earth observation segment, Space Angels believes manufacturers of airborne platforms such as unmanned fixed-wing or rotary-wing systems (UAV) of various sizes and high-altitude pseudo-satellites (HAPs) to be a short-term market. The monitoring applications serve commercial, civil and public purposes for, e.g., agriculture, the oil and natural gas industry, mining, disaster relief, border protection and defense.

Accordingly, Mynaric is positioned in a highly innovative market segment with significant growth opportunities. Overall, once this market has fully established itself, we at the Mynaric Group assume lasting profitable business performance and, thus, positive development.

IV. Forecasting report

According to the IMF's forecasts, the global economy can expect slightly more growth in 2020 compared to 2019. Growth in developed countries is predicted to be stable, with economic performance experiencing a minor increase of 1.7%. While weaker growth of 2.1% is expected for the U.S. Economy, the Eurozone is expected to see minor growth of 1.4%. According to IMF projections, Germany's economic growth should increase to 1.2%.[6]

The World Bank assumes prices for energy commodities will fall 3.1% and remain stable for non-energy commodities.[7]

The exact effects of the coronavirus on individual companies and the German economy overall cannot be assessed currently. The fact is that the longer the epidemic lasts, the greater the effects may be. Following the corona outbreak, the IMF revised its forecast for the world economy downward 0.1 percentage points. It now assumes a global economic growth of 3.2% in the current year. As the epidemic spreads to other Asian countries, the economists at Oxford Economics calculate global growth to fall 0.5 percentage points and 1.3 percentage points as the epidemic spreads around the world.[8]

For the optics industries, economic development is generally following that of the manufacturing industry/capital goods industry, meaning we can expect a comparable macroeconomic trend.

Concerning the potential of laser communication products in particular, the following can be noted:

1. Market research firm Northern Sky Research (NSR) anticipates cumulative sales of laser communication intersatellite links to total USD 3.8 billion, with a demand for over 10,000 units between 2020 and 2029.[9] Major market players such as SpaceX, Amazon and OneWeb are either already active and/or will expand constellation projects to thousands of satellites. Laser communication is a key component for constellation operators, which means a substantial business opportunity to Mynaric.
2. Market research firm Teal Group expects outlays for unmanned aircraft to see a compound annual growth rate (CAGR) of 3% per year until 2027, with commercial and civil expenditures increasing 15% per year. In 2018, around USD 4 billion was spent on UAV systems, which may increase to over USD 10 billion by 2027. Defense, civil and business organizations are expected to spend over USD 80 billion on UAV systems over the next 10 years . The increasing accuracy of the modern sensor systems used in UAVs and the associated increase in generated data is leading to a need for high throughput and secure connectivity, which is triggering demand for laser communication products such as those by Mynaric.

The level of investment planned for 2020, especially for development as well as technical equipment and machinery, is significantly higher than the current reporting year thanks to the setup of additional production capacity.

Development to date as well as Group products make it possible only to cover some of the expenses resulting from business activities with sales revenue and funding. The Mynaric Group's business plan includes a dynamic increase in revenue from product sales in the coming financial years that will make it possible to generate positive cash flows from ongoing business over the medium term.

Management is continuously monitoring the liquidity and financial needs of the Mynaric Group. Based on scenario analyses and planning, we assume that the continuation of the Mynaric Group is ensured in the corresponding scenarios. We assume business activity will continue and grow, which was also the basis for the accounting and evaluation in the 2019 consolidated financial statements.

The market for aerospace laser communication products is still in an early phase, with no relevant historical benchmarks or trends. Financial forecasts also cannot be more precise due to the dynamic development of the current market phase. However, Mynaric generally expects a strong increase in demand for laser communication products in the coming years and, due to its market position, Group growth that is just as strong. Based on current market developments, the Mynaric Group expects a significant increase in incoming orders as well as total output for the 2020 financial year compared to the previous year along with costs that will increase just as much due to the start of production.

Gilching, 28 March 2020

The Management Board

Dr Wolfram Peschko	Bulent Altan	Hubertus Edler von Janecek

[5] www.spaceangels.com/post/space-investment-quarterly-q3-2019
[6] www.imf.org/~/media/Files/Publications/WEO/2019/October/English/text.ashx?la=en
[7] pubdocs.worldbank.org/en/976371572033446013/CMO-October-2019-Executive-Summary.pdf
[8] www.welt.de/newsticker/dpa_nt/infoline_nt/wirtschaft_nt/article206075849/IWF-senkt-wegen-Coronavirus-die-Wachstumsprognose-fuer-China.html
[9] www.nsr.com/nsr-report-constellations-drive-a-3-8-billion-opportunity-for-optical-satcom-equipment/

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 2019, 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 2019, 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 2019.

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 2019 and of its financial performance for the financial year from 01 January to 31 December 2019,

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 on the effectiveness of these systems.

INDEPENDENT AUDITOR'S REPORT

- 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, 28 March 2020

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 financial statements of Mynaric AG for the period from January 1 through December 31, 2019 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 company are presented in such a way as to convey a true and fair view

Gilching, 28 March 2020

The Management Board

Dr Wolfram Peschko | Bulent Altan | Hubertus von Janecek

IMPRINT

Published by
Mynaric AG
Dornierstraße 19
82205 Gilching
Germany

Corporate Communications
e comms@mynaric.com
t + 49 8105 7999-0


mynaric