Annual Report 2022

FY 2022

Introduction from the Management Board

Introduction from the Management Board

Fellow Shareholders,

FY22 was a year marked by substantial expansion of our business and future opportunity. Highlights included numerous customer wins, significant expansion of our backlog of units to be delivered to customers and strong growth in cash-in from customer contracts based on milestone payments as part of ongoing programs. The vast majority of the optical communications terminals in backlog as of December 31, 2022, includes deliverables with key aerospace and defense customers that are related to government-funded satellite constellations with the bulk of deliveries scheduled to start in the second half of 2023 and continue into 2024, which provides Mynaric with excellent revenue and cash flow visibility on these programs.

We have proactively invested significant resources into establishing serial manufacturing capabilities ahead of the market to win customers and establish Mynaric as a leading provider of scalable laser communications solutions. This strategy has served us extremely well in 2022 and allowed us to capture significant market share in the important US government market that's trailblazing the adoption of laser communication capabilities as part of proliferated low Earth orbit (LEO) satellite constellations.

Now it's time to deliver, and with our committed customer programs, we are currently preparing to significantly increase our production in the second half of 2023. At that point, we will be delivering industrialized laser communication products at scale to customers - exactly what we have set out to do since our founding as a company.

It will be these product deliveries that help us to continue to win additional customer orders and seize the multi-decade opportunity ahead of us. Mynaric is at its core centered around the scalability that enables us to leverage this momentum to the fullest. We are on track to provide our customers with unprecedented communication capabilities enabling them to establish large, proliferated networks and making our vision to eliminate the boundaries of connectivity a reality.

We sincerely thank our employees, customers, suppliers and shareholders for their continued support as we pursue the industrial age of laser communication.

Sincerely,

Bulent Altan	Mustafa Veziroglu	Joachim Horwath	Stefan Berndt-von Bülow
Co-CEO	Co-CEO	Founder & CTO	CFO

FY 2022

Report of the Supervisory Board

Report of the Supervisory Board

Dear Shareholders,

A dynamic and exciting fiscal year 2022 of Mynaric AG lies behind us. The Supervisory Board of Mynaric AG fully performed the supervisory and advisory duties incumbent upon it under the law, the Articles of Association, and the Rules of Procedure during the reporting year 2022 at all times. In particular, the Supervisory Board advised the Management Board and monitored the measures taken. The Supervisory Board was always involved on a timely and appropriate manner in all decisions of fundamental and strategic importance. This was based on written and verbal reports from the Management Board to the Supervisory Board. The Management Board informed the Supervisory Board regularly, promptly and comprehensively about all important issues relating to current business developments, the earnings and financial situation, corporate planning, the strategic development of the company and changes in risk situations. Events of particular importance for the situation and development of the Company or its subsidiaries were discussed on a timely basis in any case. All Management Board measures requiring the approval of the Supervisory Board were examined, discussed and decided upon. The cooperation between the Management Board and the Supervisory Board was in every respect trusting and constructive in the reporting year.

The work in fiscal year 2022 was also based on the meetings of the Supervisory Board as well as oral and written reports by Management Board. After detailed examination and discussion, the Supervisory Board voted on the reports and proposed resolutions of Management Board where required by law, the Articles of Association or Rule of Procedure of the Management Board. In individual cases, the Supervisory Board also passed resolutions outside of meetings. In addition to the regular meetings, the Chairman of the Supervisory Board maintained regular contact with the Management Board and kept himself informed about the current business situation and important events. The Supervisory Board committees (Audit Committee, Compensation Committee, Corporate Governance Committee and Nomination Committee) also coordinated their activities on an ongoing basis and held meetings as required.

Supervisory Board meetings and key areas of discussion

The Supervisory Board held a total of fifteen meetings in the 2022 financial year. Of these, 6 meetings were held in person and 9 meetings were held by video conference. In addition, ten resolutions were adopted by circular resolution in the reporting year.

The subject of regular deliberations at the Supervisory Board meetings was, in particular, the status of product, order intake, sales, earnings and employment development as well as the financial position and liquidity development of Mynaric AG and its subsidiaries. A particular focus was also the company's increasing focus on the production and delivery of ordered equipment. Furthermore, the Supervisory Board resolved to expand the Management Board to four members and appointed Mustafa Veziroglu as a new member of the Management Board and Chief Operating Officer. In addition, the Supervisory Board regularly dealt with the compensation of the members of the Management Board and the long-term variable compensation programs for the employees of the Company and its affiliated companies. The main topics addressed by the Supervisory Board in fiscal 2022 were as follows:

The topic of the Supervisory Board meeting on **January 24, 2022** was the implementation of the compliance requirements now applicable to Mynaric AG as a result of the Company's IPO on the US stock exchange NASDAQ. In addition, the Supervisory Board dealt with the strategy and the financial situation of the Company.

On **March 23, 2022, the** Supervisory Board meeting focused on the operational targets, the order situation, and the financial situation of the Company. Furthermore, the Supervisory Board decided on a capital increase at Mynaric Lasercom GmbH.

At the meetings on **March 29**, **2022, April 1, 2022,** and **April 6**, **2022,** the Supervisory Board, in part with the assistance of the Company's external compensation consultant, considered and discussed a new compensation system for the members of the Executive Board to be submitted to the 2022 Annual General Meeting for resolution.

At the meeting on **April 21, 2022,** the Supervisory Board dealt with the audit of the annual financial statements for fiscal year 2021 and the Supervisory Board's proposed resolutions for the 2022 Annual General Meeting, and discussed various compliance issues of the Company.

At the Supervisory Board meeting on **April 28, 2022,** the Supervisory Board again dealt with the 2021 financial statements.

At the Supervisory Board meeting on **May 25, 2022,** the Supervisory Board discussed the Company's business situation with the Executive Board and decided on the approval of the annual financial statements for fiscal year 2021. In addition, the Supervisory Board dealt with various structural issues within the Company and the long-term variable compensation programs for employees of the Company and its affiliated companies.

Also at the Supervisory Board meeting on **June 29, 2022,** the Supervisory Board discussed the Company's business situation with the Management Board and decided on the reintroduction of the ground station product category and on a capital increase at Mynaric Systems GmbH.

At the meeting on **July 1, 2022,** the Supervisory Board resolved to terminate the current appointment with simultaneous (longer) reappointment of Executive Board members Berndt-von Bülow and Joachim Horwarth and to conclude corresponding employment contracts.

At its meetings on **July 4, 2022, August 23, 2022** and **October 17, 2022,** the Supervisory Board again dealt with the Company's financial position and results of operations.

At the meetings on **October 27, 2023,** and **December 8, 2022,** the Supervisory Board discussed and debated the Company's business situation and plans for the 2023 financial year together with the Executive Board.

Activities of the Supervisory Board Committees

The Audit Committee met a total of eight times in fiscal year 2022 in the form of a video conference. All members of the Audit Committee attended all meetings of the Audit Committee. In 2022, the Audit Committee again dealt with key issues relating to the Group's accounting processes and internal control and steering system. The auditor of the Mynaric Group, KPMG AG Wirtschaftsprüfungsgesellschaft, attended all eight meetings of the Audit Committee.

The Compensation Committee met a total of four times in fiscal year 2022 in the form of a video conference. All members of the Compensation Committee attended all meetings of the Compensation Committee. With the assistance of an external compensation consultant, the Compensation Committee dealt with the development of the compensation system for the members of the Management Board, which was presented to and approved by the 2022 Annual General Meeting. Furthermore, the Compensation Committee prepared the compensation report for the financial year 2021, which was submitted to the Annual General Meeting 2022 for approval and began preparing the compensation report for the financial year 2022. In addition, the Compensation Committee dealt with the employment contract for Executive Board member Mustafa Veziroglu.

The Corporate Governance and Nominating Committee did not meet in fiscal year 2022.

Further information on the activities of the Supervisory Board and its committees can be found in the (consolidated) Corporate Governance Report.

Corporate Governance

The Supervisory Board was fully represented at ten of the fifteen meetings. At the Supervisory Board meetings on April 06, Steve D. Geskos and Vincent Wobbe, on April 21 Vincent Wobbe, on April 28 Hans Königsmann, on July 04 Dr. Manfred Krischke and Hans Königsmann, on October 27 Hans Königsmann were excused.

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

The Supervisory Board has addressed the further development of corporate governance at Mynaric, taking into account the recommendations of the German Corporate Governance Code ("Code"). The declaration on corporate governance pursuant to Section 289f of the German Commercial Code (HGB), including the detailed corporate governance report, as well as the declaration on the corporate governance of the Group pursuant to Section 315d of the HGB can be viewed on the Company's website under the heading "Investors > Corporate Governance >" and can be found in the annual report. In addition, the implementation of the Code recommendations by the Company was discussed with the Executive Board and in three justified cases a deviation from the Code recommendations was resolved. Based on these discussions, the Executive Board and Supervisory Board issued the annual Declaration of Conformity on April 26, 2022 and also published an update to this Declaration of Conformity on July 15, 2022.

The current version of the Declaration of Conformity can be found in the Annual Report. It is also permanently available on the Company's website under "Investors > Corporate Governance.

Audit of the annual financial statements and the consolidated financial statements

The Company's auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, audited the annual financial statements for 2022 prepared by the Executive Board and issued an unqualified audit opinion. The Supervisory Board received the financial statement documents and the auditor's report in good time and gave its approval on May 11, 2023.

The Supervisory Board has examined the 2022 annual financial statements of the Company prepared by the Executive Board in accordance with the statutory provisions. The Supervisory Board approved the results of the audit and raised no objections following the final results of its own review. Accordingly, the Supervisory Board approved the annual financial statements for fiscal year 2022 on May 11, 2023. The annual financial statements are thus adopted in accordance with section 172 sentence 1 of the German Stock Corporation Act (AktG). The consolidated financial statements for 2022 were also approved.

Acknowledgement

The Supervisory Board would like to thank the Management Board and all employees for their high level of commitment and successful work in the past fiscal year. The Supervisory Board would also like to thank the shareholders for their interest in our company and for the trust they have placed in us.

Gilching, May 2023

For the Supervisory Board

Dr. Manfred Krischke

Chairman of the Supervisory Board

FY 2022

Group Management Report

Group Management Report

Group Management Report for the year ended December 31, 2022

1. Business Model

The Mynaric group (following "Mynaric") consists of the parent company Mynaric AG and the subsidiaries Mynaric Lasercom GmbH, Mynaric USA Inc., Mynaric Systems GmbH and Mynaric Government Solutions Inc. Mynaric AG registered in Commercial Register at Munich Local Court (Reg. No. HRB 232763), has its registered office at Dornierstraße 19 in 82205 Gilching, Germany. Mynaric AG's ordinary registered shares are listed in the Scale segment of the Open Market of the Frankfurt Stock Exchange under symbol FRA:M0YN having the International Securities Identification Number ("ISIN") DE000A31C305 and its American Depository Shares (ADS) are listed on the Nasdaq Global Select Market under the symbol NASDAQ:MYNA.

The objective of the Company is the development, manufacture, sale, and operation of laser communication network equipment, software, systems, and solutions, particularly for aerospace applications and related products. The Company engages primarily in the manufacturing and sale of products and projects, and in the provision of services related to laser technology, particularly for applications in aerospace, and satellite services.

Mynaric's focus is to provide customers in the commercial and government market with industrialized optical communications terminals that are suitable for deployment at scale. Mynaric's products incorporate laser communications technology to allow high-speed and long-distance wireless optical communication between moving objects for terrestrial, mobility, airborne- and space-based applications.

2. Economic Environment

2.1. Economic

Global economic activity is experiencing a broad-based slowdown, with inflation higher than seen in several decades according to the World Economic Outlook Update of January 2023 by the International Monetary Fund (IMF)[1]. High global inflation, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on economic activity. Normalization of monetary and fiscal policies that delivered unprecedented support during the pandemic is starting to cool demand as policymakers aim to lower inflation back to target levels according to the IMF.

The IMF lowered their baseline forecast for total global GDP growth to slow from 6.2% in 2021 to 3.4% in 2022.

Global inflation is forecast by the IMF to rise from 4.7% in 2021 to 8.8% in 2022. Upside inflation surprises have been most widespread among advanced economies, with greater variability in emerging market and developing economies.

In Germany, the IMF expects the GDP growth to decrease from 2.6% in 2021 to 1.9% in 2022. In the United States, the IMF expects the GDP growth to decrease from 5.9% in 2021 to 2.0% in 2022.

[1] Source: https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023, accessed 1 February 2023

2.2. Industry environment

Most companies in the aerospace industry performed robustly despite high global inflation, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic, providing further confirmation that the industry remains insulated from short-term economic turmoil, primarily due to the fact that significant business is related to long-term government programs.

Current demand for laser communication is predominantly driven by both government organizations and commercial players seeking to establish Low Earth Orbit (in following "LEO") satellite-based space communication networks. The U.S. government has been the strongest proponent to date of aerospace network capabilities and has made the development of government space architectures using large-scale LEO constellations a priority. As such, the U.S. Department of Defense's budget for the fiscal year 2023 includes $26.3 billion for the U.S. Space Force and the Space Development Agency, which is more than $1.7 billion more than the Pentagon has requested. This budget for space-based technology is larger than the budget request for NASA.[2] As fast and secure military communication is a critical requirement for defense communications, governments seek to leverage the superior capabilities of laser communication to enable secure and stealth data exchange, battlefield connectivity, intelligence, surveillance and reconnaissance ("ISR") data distribution and teamed systems of systems. In that context, the European Union's Commission, Council and Parliament of the European Union agreed in late 2022 to establish a sovereign European satellite constellation focused on government services. The multi-orbital constellation of hundreds of satellites is expected to provide resilient services covering critical infrastructure protection, situational awareness, and support for external actions and crisis management.[3]

Over the past years the number of active satellites in orbit increased significantly from around 950 in late 2010 to 2,000 satellites in late 2019 to around 5,500 satellites as of mid-2022. The number of communication constellation satellites increased by more than a factor of ten between late 2019 and mid 2022 driven significantly by the start of satellite deployments as part of commercial mega-constellations.

3. Business Performance

Mynaric attained its operational objectives for the fiscal year 2022, the Management Board is thus satisfied with the results of the company's operations. Management has a favorable view of the company's positioning, supported by the following accomplished company milestones.

3.1. Company milestones

Mynaric achieved important milestones in 2022, including winning multiple significant orders for CONDOR Mk3 optical communications terminals in the government market, as well as being selected by the European Space Agency (ESA) and the U.S. Defense Advanced Research Projects Agency (DARPA) for trailblazing technology development programs and shipping HAWK terminals for a novel application of a U.S.-based energy customer. In addition to these operational milestones, Mynaric secured a strategic investment by L3Harris.

In February, Mynaric announced that is has been awarded a contract by the European Space Agency (ESA) to analyze, design, build and test on a laboratory model an end-to-end optical communication system that can achieve data transmission speeds of 1 Terabit per second (Tbps). The project, named Pegasus, is allocated within ESA's ScyLight program which supports the research, development, and

[2] Source: Space Investment Quarterly Report – Q4 2022
[3] Source: https://www.consilium.europa.eu/en/press/press-releases/2022/11/17/council-and-european-parliament-agree-on-boosting-secure-communications-with-a-new-satellite-system/, accessed 1 February 2023

evolution of optical communication technologies, and provides flight opportunities for in-orbit verification.

In March, Mynaric was selected by Northrop Grumman to deliver CONDOR Mk3 optical communication terminals within the framework of a milestone U.S. government program. Northrop Grumman was selected by the Space Development Agency (SDA) to provide 42 satellites for the Tranche 1 Transport Layer program that will serve critical needs of the U.S. Proliferated Warfighter Space Architecture (PWSA), that was formerly named the National Defense Space Architecture (NDSA). The agreement has an initial value of $36 million and provides for performance-based payment milestones throughout 2022, 2023 and 2024 and product deliveries mostly in 2023 and 2024. Any milestone payments under the SDA order will count towards the $35 million revenue opportunity under Mynaric's strategic agreement with Northrop Grumman announced in November 2021, subject to such milestone payments actually being made. The agreement marks the largest order for optical communications terminals placed with Mynaric specifically and announced in the government market generally to date confirming the trajectory of the industry to procure and deploy industrialized laser communications systems at rapidly increasing scale.

In July, Mynaric and L3Harris signed agreements related to an €11.2 million investment in Mynaric by L3Harris and to future collaboration. Upon the execution of this investment, L3Harris owns approximately 7.2% of Mynaric ordinary shares. Under the framework of this investment, Mynaric will serve as preferred provider of laser communication solutions to L3Harris and L3Harris will be granted certain collaboration privileges. With the strategic framework, the companies seek to build on their existing collaboration in the airborne domain and widen the scope to cover all domains to include space, maritime and ground along with airborne.

In August, Mynaric announced that it was selected as a key development partner to create a benchtop model of a next-generation optical communications terminal as part of Phase 1 of the Space-based adaptive communications node (Space-BACN) program of the Defense Advanced Research Projects Agency (DARPA). DARPA's Space-BACN program envisions a low-cost, scalable optical communications terminal that could be reconfigured to work with various optical intersatellite link standards allowing seamless communication among government and private-sector proprietary satellites. The announcement follows the selection of Mynaric to participate in the Space-BACN program's Phase 0 at the end of 2021 and represents Mynaric's continued success with U.S. government customers that are a driving force for the deployment of space-based, optical communication capabilities.

In October, Mynaric announced that it will provide Northrop Grumman with 42 CONDOR Mk3 optical communications terminals for satellites as part of the Space Development Agency's (SDA) Tranche 1 Tracking Layer program with product deliveries expected mostly in 2024. The Tranche 1 Tracking Layer will detect, identify, and track hypersonic weapons and other advanced missiles from their earliest stages of launch through interception. Once fully deployed in 2025, the Tranche 1 Tracking Layer satellites will operate in up to four low-Earth orbital planes, interconnected with Tranche 1 Transport Layer satellites.

In November, Mynaric announced the delivery of a set of multiple HAWK optical communications terminals for an initial test campaign to a new commercial U.S.-based energy customer. The terminals are intended to be utilized in disaster recovery missions where satellite or terrestrial communications infrastructure has been compromised.

3.2. Financial Targets

The table below shows these key financial performance metrics including our other performance metrics revenue and operating loss for the years ended December 31, 2022, and 2021 together with the forecast for the year 2022:

	2021 Actual	2022 Actual	2022 Forecast
Optical Communications Terminal Backlog (Units)	40	256	substantial increase to >220
Cash-in from Customer Contracts (€ million)	3.9	18.3[4]	substantial increase to >20
Revenue (€ million)	2.4	4.4	significant increase
Operating loss (€ million)	-42.4	-73.8	moderate decrease

Driven by initial customer wins, our **Optical Communications Terminal Backlog**[5] increased significantly year-over-year from 40 terminal deliverables as of December 31, 2021, to 256 terminal deliverables as of December 31, 2022. This development exceeded the management expectation.

The table below shows the development of the order backlog for the financial year 2022:

Order Backlog	Units
At January 1, 2022	40
Order Intake	254
Deliveries[6]	-7
Other Changes[7]	-31
At December 31, 2022	256

In light of the increase in optical communications terminal backlog **Cash-in from Customer Contracts**[8] amounted to €18,383 thousand for the twelve months ended December 31, 2022, compared to €3,887 thousand for the twelve months ended December 31, 2021. This development did not meet the management's expectation. However, not included in cash-in from customer contracts were approximately €11 million invoiced in December 2022 and received in January 2023.

[4] Does not include approximately €11 million invoiced in December 2022 and paid by our customers in early 2023.

[5] Optical communications terminal backlog represents the quantity of all open optical communications terminal deliverables in the context of signed customer programs at the end of a reporting period. Optical communications terminals are defined as the individual devices responsible for pointing the laser beam and capable of establishing a singular optical link each. The optical communications terminal backlog includes (i) optical communications terminal deliverables related to customer purchase orders; and (ii) optical communications terminal deliverables in the context of other signed agreements. Backlog is calculated as the order backlog at the beginning of a reporting period plus the order intake within the reporting period minus terminal deliveries recognized as revenue within the reporting period and as adjusted for canceled orders, changes in scope and adjustments. If there are multiple options for deliveries under a particular purchase order or binding agreement, backlog only takes into account the most likely contract option based on management assessment and customer discussions.

[6] Hawk and Condor Terminals which have been delivered to the customers.

[7] As we have terminated customer contracts in 2022, order backlog as of December 31, 2021 included 30 terminal deliverables under these contracts. Without these terminated contracts, order backlog as of December 31, 2021, would have amounted to ten terminal deliverables.

[8] Cash-in from customer contracts includes payments from customers under purchase orders and other signed agreements, including payments received based on payment milestones under customer and government programs. We often accrue meaningful payment milestones already during the integration phase that precedes customer deliveries. We recognize revenue in connection with our products only upon delivery and acceptance of our products by our customers.

The table below shows the reconciliation of the statement of financial position lines to the cash-in from customer contracts for the financial year 2022:

		Cash changes	Non-cash changes			
€ thousand	December 31, 2021	Cash-in	Revenue recognition 2022	Other operating income 2022	FX	December 31, 2022
Trade receivables	0	0	1,120	0	-20	1,101
Other financial and non-financial assets	0	1,881	0	2,091	57	267
Contract liabilities	307	519	640	0	20	205
Other non-financial liabilities	1,887	15,984	2,661	0	-44	15,166
Total	**2,194**	**18,383**	**4,422**	**2,091**	**13**	**16,739**

The cash-in relating to other financial and non-financial assets in the amount of € 1,881 thousand (2021: €0 thousand) refer to governmental funded projects. The majority of the cash-in represents pre-payments for future revenues, which resulted in an increase of other non-financial liabilities. The cash-in relating to other non-financial liabilities includes an amount of €2,589 thousand, which relates to terminated contracts and was therefore recognized as revenue. For further information refer to chapter “4.1 – Earnings”.

In 2022, Mynaric recorded **Revenue** of €4,422 thousand compared to €2,355 thousand in 2021. This represents a significant increase as forecasted by the management. For further information refer to chapter “4.1 – Earnings”.

The **Operating Loss** increased to €73,790 thousand (year ended December 31, 2021: loss €42,364 thousand) due to the expansion of development-, production- and IT-capacity and the hiring of additional staff during the year ended December 31, 2022. The management expected a moderate decrease of the operating loss. However, the development showed a significant increase. This was caused by mainly three reasons. The chip shortage on the global markets led to a lower number of produced and sold HAWK terminals. Also, write-offs for inventory in the amount of €7,482 thousand were recognized, which mainly related to CONDOR MK1 and CONDOR Mk2 and CONDOR MEO. Lastly, the investments in research and development were higher than initially forecasted. For further information refer to chapter “4.1 – Earnings”.

Mynaric achieved almost all financial targets and positioned itself with very large contracts in the market. Therefore, the management is very satisfied with the performance in the financial year 2022.

4. Group Financials

4.1. Earnings

a) Group-Earnings

In 2022, Mynaric recorded an increase in **Revenue** of €2,067 thousand from €2,355 thousand to €4,422 thousand.

This development is due to the increased number of delivered HAWK and CONDOR terminals. Also, Mynaric recognized prepayments received from terminated customer contracts as revenue in the amount of €2,589 thousand. The contracts were terminated for default.

Revenue is broken down as follows:

€ thousand	For the years ended December 31, 2022	December 31, 2021	Change in %
Products	1,783	554	222.8%
Services	0	1,801	-100.0%
Operating lease income	50	0	100.0%
Other	2,589	0	100.0%
Total	**4,422**	**2,355**	**87.8%**

As in the previous financial year, all revenues were generated in the US market.

The increase in **changes in inventories of finished goods and work in progress** by 33.8% to €760 thousand (2021: €568 thousand) is primarily due to the increased number of HAWK and CONDOR terminals produced and currently in production.

€ thousand	For the years ended December 31, 2022	December 31, 2021	Change in %
Increase in inventories of work in progress	2,100	414	407.1%
Increase in inventories of finished goods	542	616	-12.0%
Write-downs	-1,881	-462	307.2%
Total	**760**	**568**	**33.8%**

The change in inventories of finished goods and work in progress was partially offset by write downs of finished goods and work in progress. Fiscal 2022 write downs primarily relates to Condor Mk2, which were written down to their recoverable amounts. For fiscal year 2021, the write-downs refer to Condor Mk1 and Condor Mk2 that were written down to their recoverable amount. This is based on the decision to discontinue production and marketing of the Condor Mk1 and to reduce production and marketing of the Condor Mk2 in order to meet the increased demand for the Condor Mk3.

Own work capitalized decreased by 66.0% to €1,567 thousand. The following table shows the breakdown of the own work capitalized:

€ thousand	For the years ended December 31, 2022	December 31, 2021	Change in %
Development costs	968	2,845	-66.0%
Property, plant and equipment	599	1,770	-66.2%
Total	**1,567**	**4,615**	**-66.0%**

Own work capitalized with regards to the development costs declined as the development of the capitalized Space technology was completed in March 2021. The amount of €968 thousand for the year ended December 31, 2022, reflects the capitalized development costs for the CONDOR MEO technology. Own work capitalized with regards to property, plant and equipment which includes the construction of a new link testbed for Mynaric USA and Hawk Air and Condor Terminals for internal testing and development usage, also declined after the completion of the link testbed of Mynaric Lasercom in 2021.

Other operating income increased by 446.2% from € 435 thousand to €2,376 thousand. The following table shows the breakdown of the other operating income:

€ thousand	For the years ended		
	December 31, 2022	December 31, 2021	Change in %
Income from grants	2,091	279	649.5%
Income from the reversal of liabilities	0	90	-100.0%
Income from related parties	0	27	-100.0%
Miscellaneous operating income	285	39	630.8%
Total	**2,376**	**435**	**446.2%**

This development is primarily due to income from grants from government-funded projects especially with DARPA and ESA. The main projects are described in chapter “3.2 Financial Targets”. The cash-in received on these projects is €1,881 thousand for the year ended December 31, 2022.

Cost of materials increased by 45.3% from €10,624 thousand to €15,434 thousand. The following table shows the breakdown of the cost of materials:

€ thousand	For the years ended		
	December 31, 2022	December 31, 2021	Change in %
Raw materials and consumables used	13,007	7,736	68.1%
Costs for services purchased	2,427	2,888	-16.0%
Total	**15,434**	**10,624**	**45.3%**

Cost for raw materials and consumables used increased significantly by 68.1%. This was mainly caused by raw materials and consumables used for the production of the HAWK and CONDOR terminals and further improvements of the air and space products. This included write-downs for raw materials and consumables in the amount of €5,601 thousand (2021: €2,039 thousand), mainly relating to the first and second product versions of the CONDOR terminals.

The cost for service purchased declined by 16.0% due to decreased costs cost for external processing of certain components used in the production process.

Personnel costs increased by 60.1% from €23,365 thousand to €37,410 thousand. The following table shows the breakdown of the personnel costs:

€ thousand	For the years ended		
	December 31, 2022	December 31, 2021	Change in %
Wages and salaries	26,318	18,185	44.7%
Share based payments	6,133	1,942	215.8%
Social security contributions, pensions, and other employee benefits	4,959	3,238	53.2%
Total	**37,410**	**23,365**	**60.1%**

The increase of personnel costs was due to the significant increase from 255 to 339 in headcount to support the ramp-up of the serial production for our CONDOR and HAWK products, to increase resources in administrative functions and to support the growing research and development as well as marketing and sales activities. Included in personnel expenses are equity-settled share-based payment compensations, of which the majority relate to the grants made under the restricted stock units program (the "RSU Program") implemented in 2021 (2022: € 3,832 thousand, 2021: 1,429 thousand) and other stock option programs (2022: €2,300 thousand, 2021: 513 thousand). The equity-settled share-based payment compensations increased compared to previous year, because the RSU Program was implemented during 2021 and therefore does not reflect the full year. Also, further grants under RSU program were made during the year ended December 31, 2022. The increase in the stock option programs results mainly from the stock option program 2021.

Depreciation and amortization increased by 76.8% from €4,518 thousand to €7,989 thousand. The following table shows the breakdown of the depreciation and amortization:

	For the years ended		
€ thousand	December 31, 2022	December 31, 2021	Change in %
Amortization and impairment of intangible assets	3,076	1,267	142.8%
Depreciation of property, plant, and equipment	3,254	1,994	63.6%
Depreciation of right-of-use assets	1,659	1,257	31.3%
Total	**7,989**	**4,518**	**76.8%**

The increased amortization of intangible assets was primarily due to the ongoing amortization of the SPACE technology (2022: € 1,075 thousand, 2021: €833 thousand) and AIR technology (2022: €284 thousand, 2021: €284 thousand) as well a recognized impairment on the capitalized CONDOR MEO technology (2022: €1,531 thousand, 2021: €0).

The further development of the CONDOR MEO technology is under re-evaluation since October 2022. The development of this adaption of the CONDOR technology was developed in connection with a customer's contract. This contract was breached by the customer and therefore terminated by Mynaric. In this context, Mynaric re-evaluated the scenarios regarding the technology's future and the completion of the development of the CONDOR MEO product variant. Result of the re-evaluation was to focus the currently available resources on the other products and to prioritize the completion of the development of these existing products and ramp up their serial production. Subsequently, the total capitalized costs in the amount of €1,531 thousand were impaired.

The increase of the depreciation for the property, plant and equipment was driven by investments in the expansion of our development and production infrastructure, which includes investments in the customized production facility in Oberpfaffenhofen and in additional production equipment in the United States.

Additional office space being leased in Washington D,C, and Los Angeles in the middle of 2021, are the main reason for the increased depreciation of the right-of-use assets 2022 in comparison to 2021.

Other operating costs increased by 86.7% from €11,830 to €22,082 thousand. The following table shows the breakdown of the other operating expenses:

€ thousand	For the years ended		
	December 31, 2022	December 31, 2021	Change in %
Legal and consulting fees	6,955	2,477	180.8%
Insurance	4,855	803	504.6%
Office and IT costs	4,236	3,282	29.1%
Selling and travel costs	2,279	1,638	39.1%
Other business supplies, equipment and services	1,835	1,396	31.4%
Incidental rental costs and maintenance	814	696	17.0%
Onerous contracts	0	240	-100.0%
Other costs	1,108	1,298	-14.7%
Total	**22,082**	**11,830**	**86.7%**

One of the main reasons for the significant higher other operating expenses was the increased insurance costs relating to directors' and officers' insurance for the listing in the United States. The initial public offering took place end of 2021 and therefore, the insurance costs during the year ended December 2021, do not reflect the full financial year. In addition, the legal and consulting fees increased as well because of a higher demand for consulting in connection with the listing in the United States. Other material reasons are higher costs relating to selling and travel in line with the higher sales-efforts and business travel activities, costs for other business supplies, equipment and service devices in connection with the continued expansion of our development and production capacities and higher office and IT costs due to on-going upgrades to our entire IT-infrastructure as the business continues to scale.

The **Operating loss** increased to €73,790 thousand (2021: loss €42,364 thousand) due to the expansion of development-, production- and IT-capacity and the hiring of additional staff during the year ended December 31, 2022.

Net finance income increased to €29 thousand (2021: costs €-1,322 thousand), mainly caused by US$ denominated cash proceeds due to the initial public offering in the United States and related positive foreign exchange effects of €2,574 thousand (2021: income €826 thousand). This was offset by interest and similar expenses of €2,545 thousand (2021: €2,148 thousand). The interest and similar expense include write-offs of a commitment fee related to the credit loan previously accrued in the other financial and non-financial assets in the amount €782 thousand (2021: €0).

Income tax benefit increased to €24 thousand (2021: income tax loss €1.791 thousand). The amount for the fiscal year 2021 resulted from deferred tax expenses, which have been recognized for the first time in fiscal year 2021.

The **Consolidated net loss** amounted to €73,782 thousand (2021: net loss €45,477 thousand) due to the foregoing reasons.

b) Segment-Earnings

Revenue is broken down on segment level in the following table:

€ thousand	For the years ended December 31, 2022	December 31, 2021	Change in %
Segment Space	3,038	2,355	29.0%
Segment Air	1,384	0	100.0%
Total	4,422	2,355	87.8%

In the **Space segment** the operating loss increased by €16,691 thousand from a loss of €30,082 thousand during the year ended December 31, 2021, to €46,773 thousand during the year ended December 31, 2022, which was mainly due to significantly higher personnel costs and the cost of purchased material and services in connection with the ongoing improvements of the space products. Furthermore, the development of the SPACE technology was completed in March 2021. Therefore, all further costs incurred relating to this technology in 2022, are recognized as expense. Also, the impairment of the CONDOR MEO technology in the amount of €1,531 thousand led to an increase in the operating loss.

In the **Air segment** the operating loss increased by €10,136 thousand from a loss of €10,793 thousand during the year ended December 31, 2021, to €20,929 thousand during the year ended December 31, 2022, which was mainly due to significantly higher personnel costs and the cost of purchased material and services in connection with the ongoing improvements of the air products. The increase in revenue by €1,384 thousand to €1,384 thousand during the year ended December 31, 2022, also led to an increase in cost of materials.

4.2. Net assets

Total assets as of December 31, 2022, decreased by 25.6% to €80,321 thousand (December 31, 2021: €108,029 thousand).

Non-current assets increased to €49,953 thousand (December 31, 2021: €45,975 thousand) in part due to ongoing investment made in property, plant and equipment to further expand our production capacity. Other investments were made in IT infrastructure and office equipment. Total additions to property, plant and equipment for the year ended December 31, 2022, amounted to €8,776 thousand (2021: €8,594 thousand).

Non-current assets increased significantly to 62.2% of the balance sheet total (December 31, 2021: 42.6%).

Current assets decreased by €31,686 thousand to €30,368 thousand (December 31, 2021: €62,054 thousand). This mainly reflects a decrease in cash and cash equivalents of €37,905 thousand (December 31, 2021: €48,143 thousand), which was only partly offset by an increase in inventories, trade receivables and other financial and non-financial assets.

The increase in inventories by 58.9% from €8,399 thousand to €13,348 thousand, primarily resulted from the preparation in terms of a stock-pilling of raw materials and supplies for the serial production and an increase in work in progress and finished goods for HAWK and CONDOR terminals due to the increased number of HAWK and CONDOR terminals produced and currently in production. The raw materials and supplies include write-offs in the amount of €5,601 thousand as of December 31, 2022 (December 31, 2021: €2,039 thousand). For work in progress and finished goods the write-offs amount to €1,881 thousand as of December 31, 2022 (December 31, 2021: €462 thousand). The increase primarily results from write-offs of CONDOR version Mk1 and Mk2 related materials due to the fact, that the new version CONDOR Mk3 is mainly contracted within the terminal backlog and the discontinued production of CONDOR Mk1 as well as the limited production of CONDOR Mk2.

The increase in other financial and non-financial assets by €169 thousand to €5,681 thousand (December 31, 2021: €5,512 thousand) was caused by advanced payments for directors' and officers' insurance for the listing in the United States. Also included is an embedded derivate for a termination option within the loan in the amount of € 172 thousand (December 31, 2021: €0 thousand).

Cash and cash equivalents were €10,238 thousand as of December 31, 2022 and decreased by €37,905 thousand (December 31, 2021: €48,143 thousand) as a result of the ongoing investments to further the development of our products, the expansion of our production capacity as well as our IT infrastructure and the continued preparations for serial production.

As of December 31, 2022, current assets decreased to 37.8% of the balance sheet total (December 31, 2021: 57.4%).

4.3. Financial position

a) Capital structure

To the extent possible, Mynaric finances its operation from internal resources, supplemented by loans and trade credit when necessary.

Total equity decreased to €27,793 thousand (December 31, 2021: €84,914 thousand) mainly reflecting the net loss of €73,782 thousand for the year ended December 31, 2022. Furthermore, two share capital transactions were carried out.

In July 2022, Harris Communications GmbH, Munich, an indirect wholly owned subsidiary of L3Harris Technologies, Inc., Delaware, USA, invested approximately €11.2 million by means of a capital increase from authorized capital in exchange for 409,294 new ordinary shares, which corresponded to 7.2% of the share capital of Mynaric AG. Due to this transaction the share capital increased by €409,294 and the capital reserve by €10,792,060.

In August 2022, the Management Board and the Supervisory Board have adopted a capital increase resolution, in which they resolved to increase the share capital of Mynaric AG of €5,652,242 by €16,149 to €5,668,391 through the issuance of 16,149 new bearer no par value shares under exclusion of the subscription rights of the shareholders out of the Authorized Capital 2021/II. The 16,149 new shares relate to the settlement of 16,149 vested restricted stock units ("RSU's") under the RSUP 2021 program of the Group.

Equity settled share-based payments increased the capital reserve by €6,133 thousand (For the year ended December 31, 2021: €1,942 thousand).

Overall, this was partly offset by the consolidated net loss for the year of €73,782 thousand (2021: €45,477 thousand), which resulted in an increased accumulated deficit of €166,549 thousand (December 31, 2021: €92,767 thousand).

As a result, the equity ratio declined to 34.6% (December 31, 2021: 78.6%).

Non-current liabilities, decreased to €9,319 thousand (December 31, 2021: €9,391 thousand), mainly reflecting the €302 thousand decrease in non-current lease liabilities, down to €7,087 thousand (December 31, 2021: €7,389 thousand) due to the use of the existing leased buildings and the resulting shorter remaining lease term.

Other non-current financial liabilities increased to €249 thousand as of December 31, 2022 (December 31, 2021: €0), due to newly set up sale & buy back contracts.

Deferred tax liabilities after netting with deferred tax assets decreased to €1,766 thousand as of December 31, 2022 (December 31, 2021: €1,791 thousand), mainly caused by declining deferred tax liabilities for capitalized development costs and increasing deferred tax assets for own work capitalized in the property plant and equipment.

As a result, non-current liabilities increased from 8.7% to 11.6% of the balance sheet total.

Current liabilities increased to €43,209 thousand (December 31, 2021: €13,724 thousand), primarily due to increased other financial and non-financial liabilities.

The increase in financial liabilities by €14,493 to €14,530 thousand (December 31, 2021: €37 thousand) is mainly the result of the agreed credit line with the drawdown therefrom of €13,110 thousand and mainly the therefore recognized interest expense. The loan including accrued interests is due in June 2023. The loan commitment in form of a bullet loan includes fees in the amount of €1,950 thousand and 1% interest rates during the year ended 2022 and 1.25% during the year ended 2023. The credit line has a maximum amount of € 25,000 thousand. As of December 31, 2022, no further tranches can be disbursed therefrom.

The non-financial liabilities as of December 31, 2022, increased by €14,335 to €16,658 thousand (December 31, 2021: €2,323 thousand). The increase resulted mainly from received milestone payments from commercial customers in the amount of €15,984 thousand for medium-term projects in which milestones have been successfully achieved. These payments are classified as other non-financial liabilities because the underlying agreement does not constitute a contract within the meaning of IFRS 15. These milestone payments from commercial customers reflect Mynaric's success in winning new customer orders.

Trade and other payables increased by €842 thousand to €9,238 thousand (December 31, 2021: €8,396), mainly due to the higher purchase volume related to the ramp up of the serial production.

The current provisions declined by €300 thousand to €723 thousand (December 31, 2021: €1,023 thousand) caused by the reversal of the onerous contracts related to sales contracts.

Current liabilities increased from 12.7% to 53.8% of the balance sheet total.

The foregoing reasons resulted in an increase in the debt ratio to 65.4% (December 31, 2021: 21.4%). The Group's leverage ratio (debt/equity) increased to 189.0% (December 31, 2021: 27.2%).

The Group's coverage ratio I (equity/non-current assets) and coverage ratio II ((equity + non-current liabilities)/non-current assets) decreased to 55.6% (December 31, 2021: 184,7%) and 74.3% (December 31, 2021: 205.1%).

b) Investments

Investments during the year ended December 31, 2022, primarily relating to the product technology development costs and expansion of the development and production infrastructure, which included investments in customized production facility in Oberpfaffenhofen and production equipment such as our testing facilities. Also, investment was made into IT infrastructure and office equipment.

Investments made during the year ended December 31, 2022 (excluding right-of-use assets per IFRS 16) amounted to € 9,941 thousand (December 31, 2021: € 11,954 thousand) are as follows:

1. Investments in intangible assets in the amount of € 1,165 thousand (year ended December 31, 2021: € 3,360 thousand)
2. Investments in property, plant and equipment in the amount of €8,776 thousand (year ended December 31, 2021: € 8,594 thousand)

For the year 2023, the Group has planned further investments to expand production capacity and office equipment.

As of December 31, 2022, the Group has financial obligations from outstanding purchase orders for intangible asset and property, plant and equipment in the following amounts:

€ thousand	For the years ended December 31, 2022	December 31, 2021
Intangible assets	14	41
Property, plant and equipment	1,258	2,736
Total	**1,272**	**2,777**

During the year ended December 31, 2022, the Group has invested €400 thousand in a newly established joint venture UNIO Enterprise GmbH. The Group holds thereby 25% of the share capital of the joint venture. The purpose of the enterprise is to design, procure, finance, operate and commercialize NGSO satellite constellations as well as all other business activities in connection therewith.

c) Liquidity

The net decrease in cash and cash equivalents of the year ended December 31, 2022, amounts to €39,946 thousand (year ended December 31,2021: net increase of €4,418 thousand).

Cash flow used in operating activities, amounts to net outflows of €-50,215 thousand (2021: €-39,426 thousand). This was primarily due to the increased net loss recorded for the year 2022 of €73,782 thousand (2021: €45,477 thousand). Also, the net cash outflows for inventories increased to €4,958 thousand (2021: €3,167 thousand). The net outflows reflect the preparation in terms of a stock-pilling of raw materials and supplies for the serial production and an increase in work in progress and finished goods for HAWK and CONDOR terminals.

The consolidated net loss was affected by non-cash transactions. This mainly includes depreciation, amortization and impairment in the amount of €7,989 thousand (year ended December 31, 2021: €4,518 thousand) and equity-settled share-based payments in the amount of €6,133 thousand (year ended December 31, 2021: €1,942 thousand). Amortization increased primarily due to the SPACE technology, which development process was completed in March 2021 (2022: € 1,000 thousand, 2021: €833 thousand). Also, an impairment on the CONDOR MEO technology was recognized in the amount of €1,531 thousand. The increase of depreciation was driven by higher investments in the expansion of the development and production infrastructure, which includes investments in a customized production facility in Oberpfaffenhofen and in additional production equipment in the United States. The equity-settled share-based payment transactions relate to the compensation of the executive board and employees with restricted stock unit ("RSU") under the RSU program, which was implemented in 2021, and stock options.

Cash flow used in investing activities for the year ended December 31, 2022, increased to an outflow of €11,699 thousand (2021: net outflow of €10,958 thousand). Due to ongoing expansion of development and production capacity the cash outflows for investments in property, plant and equipment increased by €2,567 thousand to €10,179 thousand (2021: €7,612 thousand). The cash outflows for intangible assets decreased significantly by €2,226 thousand to €1,120 thousand (2021: €3,346 thousand) due to the completion of the development of the general technology SPACE in 2021.

Cash flow from financing activities, decreased to net inflows of €21,968 thousand (2021: net inflows of €54,802 thousand). The cash inflows are mainly driven by credit facility proceeds amounting to €13,529 thousand and share capital proceeds amounting to €11,201 thousand (further information in the chapter 4.3.a. Capital structure). The higher net inflows of the year ended December 31, 2021, resulted mainly from the pursued share capital transaction and subsequent listing on the Nasdaq Stock Market.

Cash outflows to lease liabilities increased to €1,713 thousand (2021: €1,056 thousand) primarily due to newly concluded real estate leases.

Considering currency exchange rate effect, the cash and cash equivalents decreased by €37,905 thousand to €10,238 thousand (December 31, 2021: €48,143 thousand).

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

4.4. Research and Development

Research & development is critical to our business strategy. We believe we have developed strong in-house capabilities in product design, engineering, testing and quality assurance, covering the entire research and development process from conception to completion. We are committed to investing in a robust research and development program to enhance our current product portfolio and to develop our pipeline of new and complementary products.

As part of our research and development activities, we have developed significant in-house testing capabilities for our products. For example, we have established a micro-vibration link testbed, which simulates the operational use of our products in air and space (e.g., vibrations during satellite or aircraft operations) while also allowing us to conduct interoperability tests with other vendors. We installed a micro-vibration link testbed in our research and development facility at our headquarters in Gilching, Germany, and at our facility in Hawthorne, California. In addition to our micro-vibration testbed, we use a vibration and shock testbed that simulates heavy vibrations and shocks experienced during rocket launch and aircraft landing and turbulences. We also conduct data transmission tests, in which we simulate different (simulated) link distances, acquisition tests (which include far-field simulations of the laser beam) and scenario and full motion testing (which allows us to replicate certain flight conditions in our labs). Additionally, we have installed clean room facilities which include a thermal-vacuum chamber that simulates various temperature and pressure gradients and thermal chambers which are required for temperature shock simulations. We also perform radiation tests, including the exposure of our electronics to harmful radiation to be expected in space, which we do not conduct in-house.

In 2020, we started pre-serial production of both our HAWK and CONDOR terminals and we continued to improve our products with a view to ramping up serial production. The development activities for the basic technology Space were completed in March 2021. The amortization of the associated capitalized development costs for Space technology started on March 1, 2021. Further improvements of the HAWK and CONDOR product are recognized in the expense instead of capitalizing since the general technology is fully developed.

For the year ended December 31, 2022, development costs in the amount of €18,019 thousand (2021: €17,830 thousand) were recognized as an expense since the criteria set out in IAS 38,57 were not met. Hence, €967 thousand (year ended December 31, 2021: €2,845 thousand) of the total development costs amounting to €18,986 thousand (year ended December 31, 2021: €20,675) were capitalized.

We expect that our research and development expenses will continue to increase over the next several years as we continue to modify our existing technology for use in related products and to develop other laser communication-related technologies.

4.5. Non-financial Performance Metrics

During the year ended December 31, 2022, Mynaric had an average of 290 employees (2021: 216 employees).

The Group's employees are critical to Mynaric's success as a company, as the Group's positive development is largely based on their work and performance. Mynaric depends on highly skilled personnel for its business, and thus offers attractive employee benefits, incentives and career pathing opportunities as well as perks. The Group also funds and promotes social, sporting and team-building activities for its staff. A particularly noteworthy advantage employees enjoy is flexible work hours.

Mynaric views employee skills development and career pathing as important, seeking to advance individuals in these areas in line with Company needs. The training and continuing education required to attain these objectives are discussed and decided in annual performance reviews and skills development meetings. The Group maintains an internal job board to inform staff of possibilities for internal career path changes and opening advancement opportunities.

5. Risks & Opportunities

5.1. Risks

Mynaric is exposed to various risks as part of the conducting of its business. Internal control and monitoring systems have been implemented to better identify and manage these risks. The early identification of such risks enables the Company to promptly implement countermeasures. All presented risks are equally applicable to the air and space segment of Mynaric business.

a) Risk Management System

The purpose of risk management of Mynaric is to make the risks that arise in the daily course of business, whether known or new, transparent and thus controllable.

Principals

The risk management process defines the activities, responsibilities, accountabilities and governance for managing risks effectively, to support Mynaric in meeting its high-level business objectives.

This process requires information exchange among all departments, functions and projects, and thus is carried out with a high level of openness and transparency within the company. The general approach is to assess, if possible, to categorize and based on the findings to implement measures. Risk Management Tools provide visibility of open risks, with a ranking according to their overall criticality towards high level project or business objectives.

Risk management is an important foundation for the management system and enables the company to identify risks that would have the potential to harm the company’s capabilities to fulfill customer commitments, business and technical development or other operational risks early on to still allow for appropriate risk mitigation.

Responsibilities

The Management Board of Mynaric bears overall responsibility for effective risk management, determines the Company's risk-bearing capacity and decides on risk management measures in the case of particularly significant core risks. It reports to the Supervisory Board at regular intervals on the risk situation of the company. Mynaric’s risk management is used to track technical as well as non-technical risks and reports independently to the CEO. Thus, either directly or via delegation a robust Risk Management System is enacted throughout all business areas. This enables a better identification of cross-business risks.

All employees are made aware of the risks in their work area and are contributors to the continual risk reduction within their process and within their work area. This includes identifying risks and opportunities, proposing improvements or risk reductions, and carrying out mitigations and preemptive actions.

Risk-Identification

The risk management process begins with an identification of risks at the planning phase of projects or processes and is continually revisited. Company-wide risks are collected in one database and managed on an ongoing basis.

New risks can be raised by anyone in the company and identified via any means. This is done with the help of suitable methods such as inspections, interviews, checklists or tools like FMEA/FMECA (Failure Mode, Effects, and Criticality Analysis). This list is not restrictive and can be supplemented by other tools and methods to identify the where, when, how, and why a risk could be realized.

The risks are to be structured according to defined risk categories and regarding their cause, the actual risk and the impact on the company in a detailed and comprehensible manner. All risks are recorded, analyzed, and evaluated in a risk catalog.

Risk assessment & control

All identified risks are assessed based on the current probability of occurring (likelihood) and the potential impact (severity) of the consequence. Such assessment is performed in a qualitative and/or quantitative manner with the help of a pre-defined ranking /scoring system. A proper assessment of a risk shall determine the risk level prior to the implementation of any additional treatment.

Risks will be presented by combining the estimates of likelihood and severity and plotted in a Scoring Matrix to assess its criticality and aid with prioritization (see Scoring Matrix below).

Depending on the perception and positioning of the risk different risk mitigation strategies and specific countermeasures are taken and different persons are assigned for the implementation of these measures.

Risk Monitoring and -Reporting

Since risks are subject to constant change, their development and the appropriateness and effectiveness of the current strategy for risk mitigation and effectiveness of the current strategy for dealing with risks are continuously monitored. The mitigation can include adding additional controls to a process. Where controls have been identified, the reviews/audits are scheduled to ensure that the measure has the intended effects. The owner and date or frequency of review/audit shall be recorded.

A report/summary is communicated to the appropriate member of the executive management in regular intervals, and immediately in the event of the emergence of a new Priority 1 risks.

Following the completion of the risk review, control and communication of tasks, the process iterates back to the risk identification stage and starts the cycle of identification, assessment, and treatment over again for the life of the activity.

b) Risk overview

The following pages provide a comprehensive overview of the most relevant risks in Mynaric's business operations according to the aforementioned risk management system. Risks are categorized using the estimates of likelihood and severity to assess its criticality. Whereas the likelihood ranges from very low – risk will most likely not occur - to very high – risk is expected to occur, the severity is based on the impact on business metrics. Due to the dynamic growth rate of Mynaric, severity is assessed as a relative percentage of business metrics and potential loss in respective volume rather than absolute monetary values to represent the real risk for the company in its current dynamic growth phase. The likelihood assessment includes risk mitigation activities and processes aimed to minimize the respective risk and the overall risk classification represents, therefore, the remaining net risk for the business that includes the impact of such preventive measures. The categorization is provided in the table below.

Scale	Severity	Likelihood
Very Low	Loss of <5% of optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.	Minimum likelihood. Will almost never occur, well controlled or well managed.
Low	Loss of 5-10% of optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.	Low likelihood. Will seldomly occur, no obvious gaps in control or fairly well managed.
Medium	Loss of 10-50% of optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.	Medium likelihood. Will occur sometimes, with medium probability or evidence of potential threats with some gaps in control.
High	Loss of 50-100% of optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.	High likelihood. There is a real possibility of occurring with obvious gaps in control.
Very High	Material adverse effect on our business, financial condition, prospects and operating profits including the possibility of full business failure with liquidation of assets.	Maximum likelihood. Expected to occur with significant gaps in control.

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Risk Category	No.	Relevant Risks
Economic and Industry Risks	**1.**	Market development
	2.	Competitive
	3.	Economic
	4.	COVID-19
	5.	Ukraine
Operational Risks	**6.**	Production
	7.	Procurement
	8.	Corporate Strategy
	9.	Customer Acquisition
	10.	Technology
	11.	Staffing
	12.	IT
	13.	Sales cycle
	14.	Product Liability
Financial Risks	**15.**	Liquidity
	16.	Currency
	17.	Credit
Legal Risks	**18.**	Regulatory & compliance
	19.	Political
	20.	Intellectual Property

Risk matrix		Severity				
		Very low	Low	Medium	High	Very high
Likelihood	Very High					
	High			**5, 12**		
	Medium		**16, 17**	**4, 11**	**9, 10**	**6, 15**
	Low		**20**	**13, 14**	**2, 3, 7, 18, 19**	**1, 8**
	Very low					

Risk classification			
Minor	Tolerable	Material	Critical

c) Economic and industry risks

Market development risks

We develop and manufacture laser communication products for aerospace-based communications networks. Laser communication is designed to serve as a backbone technology, a key connectivity component of telecommunications networks featuring very high data transmission rates, creating data highways by connecting individual platforms such as airplanes and satellites. Our success and future growth, therefore, depend significantly on the development of a market for laser communication, and, in particular for aerospace-based communications networks.

Aerospace-based communication networks may comprise various platforms, including drones, airplanes and satellites, and may be located in the troposphere (i.e., at the height of commercial aviation), the stratosphere (i.e., at a height of 20 to 30 kilometers above ground), or in outer space. Aerospace-based communications networks consisting of a large volume of platforms are referred to as constellations. Each individual node within the platform typically contains multiple laser communication units ranging from two to four units per node. Our ability to successfully develop and commercialize our laser communication products (e.g., flight terminals) depends on potential customers' willingness to invest, on a global scale, in the development of such constellations. If such constellations are not developed on a global scale, there would be limited applications available for our ground stations and flight terminals, such as the connection of individual airplanes, drones or satellites with the ground.

Constellations in general, and the market for laser communication systems specifically, are still in the early stages of deployment and development. The future implementation of constellations by potential customers remains subject to significant technological, operational and financing risks.

The government space market developed materially over the course of the last few years particularly driven by the US Space Development Agency's large-scale adoption of laser communication products as part of their satellite constellation for governmental and defense purposes. Utilization of laser communication systems by government customers for other than space applications is broadly considered as strategically desirable but has not yet materialized in the form of public solicitations for significant number of units.

On the commercial market, to our knowledge there are only two commercial constellations operational currently one of which partly utilizes an internally built laser communication solution for linking its satellites. Other commercial constellations utilizing laser communications are planned but not yet deployed operationally. While many of the satellite constellations currently being planned by potential customers that envisage worldwide internet and network coverage have not yet issued orders for laser communications equipment. Establishing such extensive coverage through multiple laser communication units has had only limited testing and usage in practice and could entail substantial technical difficulties. At the same time, the development of commercial constellations with such coverage requires investment of potentially billions of dollars including the costs associated with satellite development and launch capacity, and accordingly depends on the ability to obtain related financing. The success of Mynaric as an enterprise depends in large part on the correctness of our projections regarding the adoption and growth of the market for commercial laser communication terminals. Market adoption, growth and/or demand for Mynaric products may well fall short of the estimates made by Mynaric.

If laser communication remains a niche market, demand for products manufactured by Mynaric would be significantly lower than Mynaric currently projects. Failure of our target markets to grow is considered as a low likelihood, very high severity and overall material risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

Competitive risks

We believe there are only a few companies actively marketing wireless laser communication technology for aerospace-based communications networks. These include aerospace firms like TESAT-Spacecom (an Airbus subsidiary), SA Photonics (a CACI subsidiary), Thales Alenia Space, Ball Aerospace, General Atomics, Honeywell, Skyloom, Space Micro plus a handful of other companies which have the fundamental technical know-how and necessary resources.

The market for commercial laser communication applications is still in an early stage of development, but there are indications that it is set for growth which may translate into significantly greater potential volume for the laser communication market, possibly entailing greater competition and the entry of large multinational corporations in the market.

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

Some of our customers, suppliers or competitors have made or may make acquisitions or partnerships or other strategic relationships in order to offer more comprehensive services or achieve greater economies of scale. For example, most recently, in July Eutelsat and OneWeb entered into an agreement to combine[9]. In November 2021, Viasat and Inmarsat entered into an agreement for Viasat[10]. Our competitor SA Photonics was acquired by CACI International Inc in December 2021[11] and Maxar was acquired by Advent in December 2022.[12] The OneWeb/Eutelsat and Viasat/Inmarsat mergers are still pending regulatory approval. The effects of these mergers/still pending consolidations could have on us and our industry in general are still to be determined, but they may create unforeseeable dynamics, giving advantages to our competitors. In addition, new entrants not currently considered competitors may enter our market through acquisitions, partnerships or strategic relationships. Potential entrants may have competitive advantages over us, such as greater name recognition, longer operating histories, more varied services and larger marketing budgets as well as greater financial, technical and other resources. Industry consolidation may result in practices that make it more difficult for us to compete effectively, including on the basis of price, sales and marketing programs, technology or services functionality. Continuing industry consolidation may give our competitors advantages over us which may result in decreased demand for our products or increased pressure to lower the prices for our products.

Such heightened competition in the laser communication market is considered as a low likelihood, high severity and overall tolerable risk that could have a material adverse impact on our optical

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[9] Source: https://www.eutelsat.com/en/news/press.html#/pressreleases/eutelsat-and-oneweb-to-combine-a-leap-forward-in-satellite-connectivity-3195697, accessed 14 Sep 2022
[10] Source: https://www.inmarsat.com/en/news/latest-news/corporate/2021/viasat-inmarsat-to-combine.html, accessed 14 Sep 2022
[11] Source: https://investor.caci.com/news/news-details/2021/CACI-Completes-Acquisition-of-SA-Photonics/default.aspx, accessed 14 Sep 2022
[12] Source: https://www.maxar.com/press-releases/maxar-technologies-to-be-acquired-by-advent-international-for-6-4-billion, accessed 31 Jan 2023

communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

Economic risks

Current demand for laser communication is predominantly driven by government needs, with the United States government spearheading the adoption of laser communication technology. U.S. allies and other governments are also evaluating new technologies as part of their national objectives to modernize their space capabilities. Accordingly, governments around the world have invested significantly in research and development as well as deployment of laser communication and other technologies. In fact, defense-related spending in the U.S. and Europe increased following geopolitical tensions. For example, the U.S. Department of Defense's budget for the fiscal year 2023 includes $26.3 billion for the U.S. Space Force and the SDA, which is more than $1.7 billion more than the Pentagon has requested.[13] However, spending authorizations for defense-related and other programs by the U.S. and other governments have fluctuated in the past, and future levels of expenditures and authorizations for these programs may not remain at current levels or could possibly decrease, due to shifts to programs in areas where we do not provide services. To the extent the U.S. government and its agencies or other governments reduce spending on such services, as a result of the need to reduce overall spending during periods of fiscal restraint, to reduce budget deficits or otherwise, demand for our services could decrease which could adversely affect our anticipated revenue and business prospects.

While government funding is currently driving laser communication demand, we expect additional demand for commercial applications to drive growth in the overall market in the near-to-medium term. Although commercial market demand may be negatively affected in the short to medium term by prevailing economic conditions, with high inflation, rising interest rates and fears of recession relative to demand from government-funded programs. The global economy has in the past, and will in the future, experience recessionary periods and periods of economic instability. During such periods, our commercial and, to a lesser extent, our governmental customers may choose not to pursue high-risk, capital-intensive infrastructure projects such as satellite constellations or other systems including laser communication capabilities.

Broadly negative economic development and implications on our business is considered as a low likelihood, high severity and overall tolerable risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

COVID-19-related risks

The company is exposed to certain risks related to the COVID-19 pandemic and its workforce. To minimize the health & safety related risks to its staff Mynaric formed a Corona Crisis Task Force consisting of members of the Executive Board and of the Human Resources, Process Management and Administration departments, between early 2020 and summer 2022. The Task Force was responsible for managing and executing the preparation and updating of documents outlining/containing instructions, business continuity measures, information sourcing policies, employee communications and risk analyses pertaining to business travel and external visitors. The Task Force was assigned critical responsibilities regarding the Company hygiene plan and prompt implementation of diverse remote working options and flexible work hours. Their efforts ensured that business activities were able to continue in a responsible fashion with as little disruption as possible.

[13] Source: https://spacenews.com/congress-adds-1-7-billion-for-u-s-space-force-in-2023-spending-bill/, accessed 11 January 2023

Other risks related to the impact of the COVID-19 pandemic on supply chains are described under Procurement risks.

Future risks related to COVID-19 are considered as a medium likelihood, medium severity and overall tolerable risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit.

Ukraine-war-risks

The United States and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions such as the invasion of Ukraine by Russia in February 2022. In response to this invasion, the North Atlantic Treaty Organization (NATO) deployed additional military forces to Eastern Europe. The United States, the United Kingdom, the European Union and other countries have announced and implemented sanctions and restrictive actions against Russia and related individuals and entities and have provided financial and in-kind support and aid to help Ukraine defend its territory.

The invasion of Ukraine by Russia and the resulting measures that have been taken, and could be taken in the future, have created global security concerns that could have a lasting impact on regional and global economies. Although the length and impact of the ongoing military conflict in Ukraine is highly unpredictable, the conflict could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, and could further drive supply chain interruptions. Additionally, Russian military actions and the resulting sanctions or other effects could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets, which, in the end, may make it more difficult for us to obtain equity or debt financing and negatively impact demand for our products.

In March 2022, an imminent launch by satellite constellation builder OneWeb with a Russian rocket was halted by Russia as reaction to broad economic sanctions imposed on Russia due to the invasion of Ukraine. All scheduled flights were subsequently cancelled, adding delays to OneWeb's current and next generation constellation roll-out[14].

Implication of the war in Ukraine are considered as a high likelihood, medium severity and overall material risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit.

d) Operational risks

Production risks

We develop, manufacture and assemble our laser communication products in-house. As part of our order processing management, we must implement adequate internal logistical and technical production processes. Once a customer orders our products, we are required to deliver such products to the customer on a mutually agreed date. Since we have only limited experience with order processing, serial production and delivery logistics, there is a risk that unexpected or spontaneous demand for our products could lead to delays in our internal logistical and technical production processes as well as delays in delivery. This is especially true in the space domain, in which potential customers may demand a steep production increase of laser communication equipment for the rapid deployment of constellations in order to minimize the time during which the constellation is only partially deployed and therefore of limited use. Unanticipated developments with respect to component assembly, or inability to handle customer orders due to a lack of appropriate processes,

[14] Source: https://spacenews.com/with-soyuz-off-the-table-oneweb-back-in-the-mix/, accessed 14 Sep 2022

structures or other factors, could materially impact our ability to process orders. This could lead to customer dissatisfaction, reputational harm and loss of customer orders.

Production risks are considered as a medium likelihood, very high severity and overall critical risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit.

Procurement risks

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

The loss of individual suppliers could furthermore lead to production problems or halts. Certain goods and components required by Mynaric can only be sourced from a handful of specialized suppliers worldwide—in some cases only from one single supplier. It is thus not always possible to adhere to the strategic policy in place of having at least two qualified suppliers for every component.

Any disruptions to our supply chain, a significant increase in component costs, or shortages of critical components could adversely affect our business and result in increased costs or missed deliveries to our customers. Such a disruption could occur as a result of any number of events, including, but not limited to, an extended closure of or any slowdown at any of our suppliers' plants or shipping delays due to efforts to limit the spread of COVID-19 or implementation of post-COVID-19 policies or practices, war and economic sanctions against third parties, including those arising from the ongoing war between Russia and Ukraine, the implementation of tariffs, export controls or other actions by or against foreign nations (including China) and general market shortages due to surge in demand for any particular part or component. Any such disruption or shortage may be further driven by increases in prices or impact of inflation, labor stoppages, transportation delays or failures affecting the supply chain and shipment of materials and finished goods, the unavailability of raw materials, geopolitical developments, terrorism and disruptions in utilities, trade embargos and other services. For example, implemented COVID-19 related lockdowns in Asia in 2022 further exacerbated the global (semiconductor) chip shortage, and significant recent increases in energy prices, especially for natural gas, may further negatively impact worldwide supply chains and general economic conditions. In addition, certain countries have imposed or may impose in the future export restrictions with respect to certain electronic components, which may include components that we use in our manufacturing process.

In 2022 we were faced with supply chain problems that resulted in lower production volumes for a product version of our HAWK terminal than initially planned. Since then we have redesigned our HAWK product to avoid further supply chain constraints. Nevertheless, supply chain constraints may reemerge delaying production or the development of upcoming HAWK and CONDOR product versions. The high inflation environment could put pressure on our unit costs in the future and increased upfront payments to our suppliers and earlier phasing of those payments may put pressure on our non-recurring costs in future periods. In addition, any future updates or modifications to the anticipated design of our products may increase the number of parts and components we would be required to source and increase the complexity of our supply chain management. Failure to effectively manage the supply of parts and components could materially and adversely affect our production capacities and thus delay the shipment of our products as well as adversely affect market acceptance for our products. Accordingly, there is risk that Mynaric may be unable to procure components required to manufacture its products at economically viable prices and in time, and that Mynaric may be unable to manufacture and deliver products.

Issues related to procurement are considered as a low likelihood, high severity and overall tolerable risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

Corporate strategy risk

Our business strategy is focused on industrial scale production of laser communications products and capitalizing on the growth of our target market. All decisions regarding capital expenditures and investments in the company are made on this basis. Corporate strategy risks may result from projects and strategic decisions which fail to meet expectations. Return on investment from these may not be reached.

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

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

The success of Mynaric as an enterprise depends in large part on the degree of accuracy of our projections regarding the growth of the laser communication market. These projections may prove too optimistic and the market growth and/or demand for Mynaric products may well fall short of our estimates.

Failure of our corporate strategy to result in business success is considered as a low likelihood, very high severity and overall material risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

Customer acquisition risk

Given the technological challenges and the high capital expenditures required for the development and deployment of our products, as well as government-imposed export restrictions, we believe that our potential customer base is limited. There is a small number of potential customers who represent potentially significant initial business opportunities for the deployment of our laser communication systems. Successful customer acquisition and retention of significant initial customers is therefore critical to generate follow-on business such as the implementation and maintenance of complementary products resulting in increased optical communications terminal backlog and cash-in from customer contracts. As a result, our ability to sell laser communication products at scale is dependent on our ability to successfully acquire and retain significant initial customers by winning their business at an early stage. Due to our limited potential customer base, we anticipate that sales to initial customers will be, individually, material to our future business success.

Accordingly, any change in the relationship with any customer, the strength of any customer's business or their demand for our products is considered as a medium likelihood, high severity and overall material risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

Technology risks

Mynaric products have never been operationally deployed or used on a large scale. Although we have developed, produced and tested prototypes of our products and are currently finalizing our products for serial production, there is no assurance that our products will perform as expected under daily operating conditions or that we will be able to detect and fix any potential weaknesses in our technology or products prior to commencing serial production and, ultimately, product deliveries to customers.

Products developed by Mynaric could evidence technical defects or fail to meet customers' quality requirements for other reasons. To date, we have only delivered pre-serial and individual prototype versions of our products. Although we have implemented stringent quality controls, our products may contain undetected technical errors or defects, especially when first introduced, or may otherwise fail to meet our customers' quality requirements. These technical errors, defects, product failures or poor performance can arise due to design flaws, defects in raw materials or components or manufacturing difficulties, which can affect both the quality and the performance of the product.

Any actual or perceived errors, defects or poor performance in our products could result in the replacement or rejection of our products, damage to our reputation, lost business, reduced optical communications terminal backlog, delays in receipt of cash-in from customer contracts, diversion of our engineering personnel from our product development efforts, increases in customer service and support costs or liability claims resulting in greater than expected operating losses.

We believe the successful rollout of Mynaric products to certain first-time customers could be taken as generally indicative of the future performance of Company products. Conversely, delivery delays, technical performance or quality issues or other problems regarding the fulfillment of obligations under contracts with first-time customers could result in the loss of the customer directly affected and of other existing or potential customers.

As a result, any technical failure of our products is considered as a medium likelihood, high severity and overall material risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

Staffing risks

Our management and staff members are crucial to the success of Mynaric as an enterprise. Due to the nature of our business, we are dependent to a large degree on highly skilled labor in order to successfully develop our products and to a smaller degree produce them at scale. Staffing-related risks for Mynaric include departures of key personnel and the existence of only a small pool of potential replacement individuals with adequate competency and know-how, among other retention-related issues. Competition for highly skilled labor is and has long been fierce in the regions where Mynaric is located, posing challenges in terms of both recruitment and personnel costs.

We have grown our workforce significantly over the last few years and have now arrived at a level that we believe to be appropriate to achieve our near-to-medium term business objectives. We, therefore, expect only slow, if any, upcoming headcount increase with potential open positions to mostly fall within the domain of production for which we expect hiring to be easier than e.g. in the domain of product development.

Being unable to recruit and retain enough qualified staff is considered as a medium likelihood, medium severity and overall tolerable risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

IT risk

Our ability to execute our business strategy depends, in part, on the continued and uninterrupted performance of our IT systems, which support our operations. Despite the implementation of security measures, our internal computer systems, and those of third parties on which we rely, are vulnerable to damage from, among other things, computer viruses, malware, natural disasters, terrorism, war, telecommunication and electrical failures, cyber-attacks or cyber-intrusions over the internet, attachments to emails, persons inside our organization, or persons with access to systems inside our organization or similar disruptive problems. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our product development programs. Furthermore, foreign governments may target us given our involvement in government programs, including because we may be in possession of national security information and involved in the development of advanced technology systems. If we are unable to protect sensitive information, governmental authorities could question the adequacy of our security measures.

A failure of our security policies, programs and systems to fully protect our IT systems is considered as a high likelihood, medium severity and overall material risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

Sales cycle risks

The timing of our sales is difficult to predict because of the length of our sales cycle, particularly with respect to sales of our products in the government market. There are many factors specific to our clients that contribute to the timing of their purchases, including budgetary constraints, funding authorization, changes in technical requirements and changes in their personnel. In addition, the significance and timing of our product enhancements, and the introduction of new products by our competitors, may also affect our customer’s purchases. As a result, even final purchase orders or definitive agreements relating to the development and delivery of laser communication products may be subject to change or cancelation. For all of these reasons, it is difficult to predict whether a sale will be completed or changed, the particular period in which a sale will be completed or the period in which revenue from a sale will be recognized. It is possible that in the future we may experience even longer sales cycles, more complex customer needs, higher upfront sales costs, and less predictability in completing some of our sales. Moreover, we may in the future enter into agreements under which we will not receive any payments or recognize any revenue until we complete a lengthy implementation cycle. If our sales cycle lengthens or our substantial upfront sales and implementation investments do not result in sufficient revenue to justify our investments, it could have an adverse effect on our business.

Sales cycle issues are considered as a low likelihood, medium severity and overall tolerable risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

Product liability risk

We have a significant number of units in backlog and limited experience in scale production as well as operational deployment of our products which entails the risk that products do not function as intended. Any actual or perceived errors, defects or poor performance in products delivered to customers could result in liability claims or claimed consequential damages. Defective components may give rise to warranty, indemnity or product liability claims against us that could significantly exceed any revenue or operating profit we receive from such products. Mynaric is insured against certain but not all potential claims and the occurrence of a significant uninsured claim, or a claim in excess of the insurance coverage limits maintained by us, could harm our business.

Product liability issues are considered as a low likelihood, medium severity and overall tolerable risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

e) Financial risks

Liquidity risks

We have a history of net losses and negative net cash used in operating activities since our inception and we expect losses and negative net cash used in operating activities to continue for the foreseeable future. For the year 2022, we incurred consolidated net losses of €73.8 million. As of December 31, 2022, we had an accumulated deficit of €166.5 million. For the years ended December 31, 2022, we had negative net cash used in operating activities of €50.2 million. As of April 30, 2023, the Group has €51.8 million in available liquidity consisting of cash and cash equivalents. We expect that we will incur additional significant expenses as we continue to conduct research, expand and refine our technology, and further develop our products. We will also incur significant expenses related to preparations for the commercialization of our products, increasing our sales and marketing activities with the goal of building our brand, and adding infrastructure and personnel to support our growth. We will not be able to cover our expenses with revenues at least until such time at which we begin material deliveries of our products and significantly increase the scale of our operations and, therefore, intend to use the proceeds from recent debt and equity financings to cover our ongoing and future expenses.

The implementation of our business strategy, therefore, requires significant capital outlays. The nature of our business also requires us to make capital expenditure decisions in anticipation of customer demand. To date, we have primarily raised capital and funded our operations with proceeds from the sale of our ordinary shares as well as debt financing. For example, in July 2022, L3Harris invested approximately €11.2 million by means of a capital increase from authorized capital in exchange for 409,294 new ordinary shares, which corresponded to 7.2% of our share capital at the time. On April 25, 2023, the Company, as guarantor, Mynaric USA Inc. ("Mynaric USA"), as the borrower, two funds affiliated with a U.S.-based global investment management firm, as lenders (the "Lenders"), and Alter Domus (US) LLC, as administrative agent, entered into a five-year, secured term loan credit agreement in an aggregate principal amount of $75 million (the "Credit Agreement 2023"). In addition to the loan, two affiliates of the Lenders agreed to subscribe for and acquire an aggregate of 565,224 new ordinary shares of the Company. The placement price for the new shares is €22.019 per ordinary share, resulting in aggregate proceeds raised of €12.4 million.

We anticipate that our future cash requirements will continue to be significant and that we will need to obtain additional financing to implement our business plan. The availability and cost of external financing depend on a number of factors, including our financial performance, general market conditions and, in the case of any debt financing, potentially our credit rating. This financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business.

Our ability to raise equity financing depends on our ability to convince investors to fund our operations and future growth, especially considering that we have not generated meaningful revenues to date and our market valuation is mostly based on our potential future financial performance rather than past or current financial performance. Our ability to raise financing will depend on the growth of the laser communication market, as well as our success in securing market share and implementing our business model. It is also dependent on our ability to position ourselves favorably to investors from different regions, with different investment focus and investment limitations. This is particularly relevant as our involvement in the government defense sector may make us unattractive to investors with certain environmental, social and corporate governance (ESG) requirements. Furthermore, our ability to raise equity financing depends on the general interest of investors in the aerospace sector and the sentiment of the financial markets at large, both of which are beyond our control.

Our ability to raise further debt financing, should we need or choose to do so, will largely depend on past financial results. Given that we and the industry in which we operate are still at a very early maturity stage and due to our intensive development activities over the last few years, we have consistently incurred significant losses, which have a negative impact on our creditworthiness to banks and lenders. We may fail to obtain debt financing due to a perceived low creditworthiness, a lack of credit ratings, our management's ability to negotiate with existing or potential lenders, as well as external factors such as general market interest rates, banks' and other lenders' credit policies or changes in the legal environment. Furthermore, any debt financing, if available, may involve restrictive covenants that could reduce our operational flexibility or profitability.

In addition, long-term disruptions to the capital or credit markets as a result of uncertainty or recession, changing or increased regulation or failures of significant financial institutions could adversely affect our access to capital. If adequate funds are not available on a timely basis, we may be required to curtail the development of our technology or products, or materially delay, curtail, reduce or terminate our research and development and commercialization activities. We could be forced to sell or dispose of our rights or assets. Any inability to raise adequate funds on commercially reasonable terms could have a material adverse effect on our business, financial condition, results of operation and prospects, including the possibility that a lack of funds could cause our business to fail and liquidate with little or no return to investors.

Based on our liquidity position as of the date of this Annual Report and our management's forecast of sources and uses of cash and cash equivalents, we believe that we have sufficient liquidity to finance our operations over at least the next twelve months from the date of this Annual Report. However, there can be no assurance that revenue and cash-in from customer contracts will be generated in the amount as expected or at the time needed. A shortfall of revenues and of the corresponding cash-in from customer contracts compared to the budget could require additional external financing to meet our current operational planning. In such a situation, if we should be unable to obtain such additional financing or take other timely actions in response to such circumstances, for example significantly curtailing our current operational budget in 2024, we may be unable to continue as a going concern. As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on our ability to continue as a going concern and, therefore, we may be unable to realize our assets and discharge our liabilities in the normal course of business.

The severity of potential liquidity issues is, therefore, assessed to be very high. Management assesses the likelihood, however, as medium because processes have been established and repeatedly proven to be successful mitigating liquidity risks by means of securing additional financing in a timely manner to fund the company's operational and financial obligations as recently demonstrated by our signed agreement with L3Harris in July, 2022 and the secured credit agreement from April 2023 as well as due to continuous discussions with potential financial and strategic investors and various providers of debt capital.

Overall, liquidity issues are considered as a medium likelihood, very high severity and overall material risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

Currency risk

We conduct business transactions in multiple currencies and primarily in Europe and the U.S. Dollar. Accordingly, exchange rate movements can have an adverse effect on our financial position and results of operations. Exposure to foreign currency exchange risk arises, for example, from purchases and sales or financial transactions in currencies other than the functional currency of the group or in which most expenses are incurred. This is especially important since the vast majority of our customer contracts and hence cash-in from customer contracts is received in US Dollar while a bulk of our expenses are in Euro. Any changes in foreign currency exchange rates may severely impact our cash flows from operating activities and our result of operations.

Currency issues are hence considered as a medium likelihood, low severity and overall tolerable risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

Credit risk

We may be exposed to credit risk due to the possibility of deleterious economic circumstances abruptly occurring that lead to defaults or business partners' inability to oblige with their financial duties towards us especially since no group companies insure their receivables. We may, further, depend on loans or other forms of credit lines to finance equipment or certain company operations the capital costs of which may increase with a distortion of the financial markets or unsatisfactory company operations.

Credit issues are considered as a medium likelihood, low severity and overall tolerable risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

f) Legal risks

Regulatory & compliance risks

We are subject to a wide variety of laws and regulations relating to various aspects of our business, including with respect to our technology and products, employment and labor, health care, tax, privacy and data security, health and safety, and environmental issues. The Company's business is subject to export controls and other special regulations including product, machine, laser safety and conformity standards. Laws and regulations at the German and foreign, federal, state and local levels frequently change, especially in relation to new and emerging industries, and we cannot always reasonably predict the impact of, or the ultimate cost of compliance with, current or future regulatory or administrative changes.

Of particular note are the complex export control and economic sanction laws Mynaric is subject to in some jurisdictions where the Company operates, including the US and the EU. The Company is subject to controls, export license requirements, and export restrictions for certain items and technologies under export control laws. In addition, some countries require import permits and have implemented laws regulating specific products that may restrict Mynaric's product distribution ability. Some of our products are considered as dual-use items in some jurisdictions which require export licenses and limits our ability to monetize our products. In July 2020 the German government issued a ban on the supplying of laser communication products to a Chinese customer. There is a risk in the United States that Mynaric products could be restricted under International Traffic in Arms Regulations (ITAR) or similar regulatory regimes. The approval process thereby required could negatively impact demand from prospective customers and restrict the customer base to companies allowed to import and buy arms under the applicable regulations.

Mynaric is dual listed on the Frankfurt stock exchange and on Nasdaq and subject to a large set of complex rules and regulations requiring internal controls, regular reporting and compliance in this context. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations. In connection with our listing on Nasdaq, we are subject to Section 404 of the Sarbanes-Oxley Act, which requires the management of U.S. public companies to develop and implement internal control over financial reporting and to evaluate their effectiveness. With respect to our listing in Germany we are subject to the German corporate governance codex which imposes additional requirements on our internal controls and reporting. We may not be able to effectively and timely implement controls and procedures that adequately respond to the regulatory compliance and reporting requirements that are applicable to us which may lead to loss of reputation, additional expenses, investigations or sanctions by relevant authorities.

Regulatory issues are considered as a low likelihood, high severity and overall tolerable risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

Political risk

Growth of the wireless laser communication market could attract further political interest, lead to increasing influence being imposed on Mynaric's business. Communication infrastructure is seen as critical, and the reliable provision and expansion of critical infrastructure is of core national interest. Such influence could be of an implicit or explicit nature, the effects of which could be beyond Mynaric's control.

This is a particularly relevant consideration in the wake of the German government's move to prohibit Mynaric from supplying laser terminals to a Chinese customer in July 2020. This decision directly led to the Company abruptly exiting the entire Chinese market, thereby losing out on that market's potential without receiving any compensation for the lost business. Mynaric's current customers are predominantly located in the United States which historically has been a close strategic partner of Germany making political interference less likely in the future.

Political influence is considered as a low likelihood, high severity and overall tolerable risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

Intellectual property risk

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

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

As general policy, Mynaric concludes confidentiality or licensing agreements with employees, consultants, suppliers, partners and customers, and generally restricts access to and the distribution of proprietary information/data. However, Mynaric cannot guarantee that such agreements will not be violated. There is also a risk of employees leaving Mynaric and going to competitors, bringing certain know-how with them. If we were found to be infringing on intellectual property of others we may be obliged to pay royalties. There are many other potential risks related to intellectual properties like insufficient protection and ability to prevent competitors from reverse-engineering and using our technology.

Intellectual property issues are considered as a low likelihood, low severity and overall minor risk that could have a material adverse impact on our optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.

g) Summary findings and comments

The management considers the risk profile to be typical for a company at this stage of maturity and considers the mitigation of risks and, hence, continued risk reduction as a key task. Significant effort is invested in continued risk monitoring, control, and mitigation. The remaining net risks for the business that includes the impact of such risk mitigation measures include

- critical risks regarding the ability to produce our products at scale and the ability to fund operational and financial obligations,
- material risks regarding the development of the market for our products, the success of our strategy, our technology, customer acquisition, IT and the Ukraine war, and
- a series of other tolerable and minor risks.

Since our founding, Mynaric has made steady progress in containing various risks and optimizing risk management. While management believes it has appropriate risk monitoring, control, and mitigation mechanisms in place to manage the Group's risk exposure, the factors described above represent material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. If the Group is unable to obtain financing or take other actions in response to these circumstances within that time, such as significantly curtailing its current operational budget in 2023, it may be unable to continue as a going concern. To mitigate these uncertainties and considering the planned continuation of strong growth, management is actively pursuing various additional funding options.

Mynaric's goal is to develop laser communication from a niche technology into a mass-use industrial application, and has a risk exposure typical for development-stage companies seeking to establish new high-tech products in cutting-edge markets with all risks inherent to the establishment of new business enterprises. Going forward, management expects a gradual overall reduction of net residual risk over time as the company is expected to mature from the development-stage and establish its business operations.

5.2. Opportunities

Alongside risk factors, we also identify opportunities related to our business, which we analyze in order to leverage them most efficiently as they materialize. The opportunities outlined below are the most relevant but not necessarily the only ones perceived. Also, the estimated impact of these opportunities is subject to regular change due to the rapid developments constantly taking place within the Company and our markets as well as to technology in general. New opportunities may arise from such changes, and existing opportunities may become more or less relevant. It is also possible that opportunities perceived today could prove to be unrealizable.

Customer pipeline presents significant upside potential

Mynaric is actively bidding, in continued discussions and contractually involved in the early stages of many customer programs which the company believes may evolve into significant size and demand for the company's products over the coming years. Multiple already existing and contracted customer relationships present the opportunity to grow significantly in business volume contingent on successful program milestones, customer funding and other aspects. Additionally, we have close working relationships with many prospective target customers in our key markets who want to deploy laser communications at scale but have not yet committed contractually. We believe we have significant upside potential to increase our optical communications terminal backlog based on our visible pipeline of opportunities depending on our customer's speed of advancing their programs. Our forecast is based on our current optical communications terminal backlog and selected customer opportunities and does not include all upside from these additional customer opportunities in our pipeline.

Lighthouse government programs trailblaze technology adoption

The government sector has historically been a first mover in deploying next generation technologies and has been an early adopter of laser communication in the space market. In the United States, recent government efforts to develop and deploy laser communication are driven by the U.S. government's vision of Combined Joint All-Domain Command & Control (CJADC2), with the ultimate goal to digitally connect all elements of the U.S. military across all five warfighting domains: air, land, sea, space and cyberspace.

The most prominent government projects currently deploying laser communication are the Space Development Agency's (SDA) Proliferated Warfighter Space Architecture (PWSA) that was previously called the National Defense Space Architecture (NDSA), a multi-layered network of small satellite constellations primarily in LEO, and DARPA's Blackjack program, which aims to develop and validate the critical elements for a global high-speed network in LEO providing for highly connected and resilient coverage, both of which are part of the CJADC2 program. DARPA's Space-BACN is another important program that aims to develop an optical communications terminal that could be reconfigured to work with most optical intersatellite link standards allowing seamless communication among government and private-sector proprietary satellites. There are numerous additional government programs in the airborne market focusing on the development of connected systems and shared networks based on different communication technologies, including laser communication. New programs are regularly introduced as the importance of information supremacy in the defense context and the reliance on data for civil purposes continues to grow.[15] We believe that these government programs are only the start of the widespread deployment of aerospace communication networks in general, and laser communication systems by government agencies specifically as the latter are key components for the deployment of the former. Mynaric is already contributing to multiple trailblazing government programs and believes its early involvement creates the opportunity for continued business wins with future government programs in its target markets.

Geopolitical realities accelerate roll-out of strategic capabilities

Recently, the escalation of geopolitical tensions (such as the invasion of Ukraine by Russia) has further fueled the need for advanced capabilities to withstand and react to new threat scenarios, driving the recent increase in defense-related spending in the U.S. and Europe.

For example, the Commission, Council and Parliament of the European Union has agreed to establish a sovereign European satellite constellation focused on government services. The multi-orbital

[15] Source: https://crsreports.congress.gov/product/pdf/IF/IF11493, accessed 11 January 2023

constellation of hundreds of satellites is expected to provide resilient services covering critical infrastructure protection, situational awareness, and support for external actions and crisis management. Negotiators from the EU Parliament and member states agreed on the satellite constellation that is set to receive 2.4 billion euros from the EU budget plus a contribution from the European Space Agency (ESA) as well as private investments in the coming years.[16] The decision to establish a sovereign satellite constellation for Europe follows a cyberattack by the Russian government against a commercial satellite operator on the eve of its invasion of Ukraine. The targeted ground station attack resulted in tens of thousands of modems shutting down in the besieged country, severing satellite broadband service to users, including parts of Ukraine's defense staff many other European nations, including power generation in Germany[17].

Additionally, the U.S. Department of Defense's budget for the fiscal year 2023 includes $26.3 billion for the U.S. Space Force and the SDA, which is more than $1.7 billion more than the Pentagon has requested.[18] The budget increase which also relates to the detection and defense against hypersonic missiles followed reported utilization of hypersonic missiles by Russia against Ukraine in the first half of 2022[19].

Commercial mega-constellations expected to deploy laser communications at scale

While the initial development and implementation of aerospace communication networks is driven by government programs, in recent years large commercial companies have emerged seeking to build satellite mega-constellations for establishing alternative communication networks. For example, companies such as Starlink (SpaceX), OneWeb, Telesat and Kuiper (Amazon) have committed or plan to commit substantial resources to deploying satellite mega-constellations, which are expected to be connected to each other through the use of optical-inter satellite links. To date, Starlink has already deployed thousands of LEO satellites equipped with optical-inter satellite links in orbit. OneWeb announced in March 2021 that its second generation of satellites will use laser communication for interconnection. Starlink and OneWeb combined account for the majority of small satellites launched into orbit over the last two years creating significant momentum for satellite constellations. Canada-based Telesat, an established satellite operator, and Kuiper (Amazon), have also announced that they are working on high-speed, low-latency broadband satellite networks in LEO. While a few of these companies may develop laser communication capabilities in-house, we believe that most will rely fully or partly on third party suppliers, such as us, capable of providing laser communication products that are affordable, scalable and interoperable. We regularly engage in discussions with key players in the market, whether or not they seek to rely on third-party suppliers, aiming to strengthen our network of potential industry partners.

We believe that by establishing strong relationships with these market participants and by successfully executing on existing customer programs, we can develop significant potential for future partnerships or collaborations with commercial mega-constellations intending to utilize our products or components at large scale creating a significant market opportunity.

[16]Source:https://www.consilium.europa.eu/en/press/press-releases/2022/11/17/council-and-european-parliament-agree-on-boosting-secure-communications-with-a-new-satellite-system/, accessed 11 January 2023
[17]Source: https://interactive.satellitetoday.com/via/october-2022/satellite-operators-respond-to-cyber-threats-in-a-rapidly-changing-environment/, accessed 14 Sep 2022
[18]Source:https://spacenews.com/congress-adds-1-7-billion-for-u-s-space-force-in-2023-spending-bill/, accessed January 11, 2023
[19] Source: https://www.bbc.com/news/world-europe-60806151, accessed Sep 14, 2022

Diversified markets to follow

Following the government and commercial beachhead markets we are involved with already today we believe that laser communication will eventually be attractive to a wide range of diversified markets across a number of industries. For example, we believe that laser communication will offer significant advantages for high quantity IoT connectivity involving significant volumes of devices and for private optical mesh networks and backbone connectivity for use in such industries as aviation and maritime applications. In addition, laser-enabled quantum key distribution (QKD) from space to on premise optical ground stations may offer widely accessible data security. Laser communication may also play a key role for broadband connectivity through high-altitude platforms (including balloons and drones) functioning as semi-permanent telecommunication platforms in the stratosphere providing regionally limited and/or temporary broadband services.

We believe Mynaric's involvement in the laser communications market will position the company favorably to also gain market shares in these upcoming diversified markets once they materialize.

6. Forecast

6.1. Economic forecast

The global fight against inflation, Russia's war in Ukraine, and a resurgence of COVID-19 in China weighed on global economic activity in 2022, and the first two factors are expected to continue to do so in 2023 according to the January 2023 World Economic Outlook by the International Monetary Fund (IMF).

According to the IMF, signs are apparent that monetary policy tightening is starting to cool demand and inflation, but the full impact is unlikely to be realized before 2024. Global headline inflation appears to have peaked in the third quarter of 2022 and is expected to fall thereafter as prices of fuel and nonfuel commodities have declined, lowering headline inflation, notably in the United States, the euro area, and Latin America. However, since underlying (core) inflation has not yet peaked in most economies and remains well above pre-pandemic levels central banks especially in the United States and the euro area have indicated that interest rates will stay elevated for longer according to the IMF.

The IMF expects total global GDP growth of 2.9% in 2023 (from 3.4% in 2022). Global inflation is forecast by the IMF to decline to 6.6 percent in 2023 from 8.8 percent in 2022 and to further decline to 4.3 percent by 2024. In Germany, the IMF expects GDP growth to decrease to 0.1% in 2023 (from 1.9% in 2022). In the United States, the IMF expects the GDP growth to decrease to 1.4% in 2023 from 2.0% in 2022.[20]

6.2. Industry forecast

We believe that the increasing need for fast, secure and ubiquitous network connectivity opens up significant growth potential for laser communication in the near- to medium-term. Current demand for laser communication is predominantly driven by the needs of government agencies, with the U.S. government spearheading the adoption of laser communication technology. U.S. allies and other governments are also evaluating new technologies as part of their national objectives to modernize their space capabilities. As privacy and security of military communication is a critical requirement for defense communications, governments seek to leverage the superior capabilities of laser communication to enable secure and stealth data exchange, battlefield connectivity as well as ISR data

[20] Source: https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023, accessed February 1, 2023

distribution. The U.S. government has invested significantly in research and development as well as deployment of laser communication and other technologies. MarketsandMarkets estimates that the military communications market, one of the fastest growing defense segments, is expected to account for approximately $40.6 billion in spending by 2025 up from $33.4 billion in 2020, with total global defense spending reaching more than $2.1 trillion by 2025 from $2 trillion in 2020 (based on our assumption of a compound annual growth rate of 2%, based on historical growth rates published by the Stockholm International Peace Research Institute) [21]

While government funding is currently driving laser communication demand, we see increasing activity in the commercial market. In particular, we expect the space segment to grow, as space-enabled broadband connectivity has become central to businesses and individuals and the need to stay connected has spread to locations that cannot readily access existing terrestrial networks. To keep pace with growing demand from underserved regions and an increasing number of applications, network operators will need to look beyond terrestrial infrastructure. The inherent capabilities of laser communication technology can help network operators address these key challenges. According to Grand View Research[22], the aggregate telecommunication services market is expected to increase to approximately $2.2 trillion by 2025 (based on a compound annual growth rate of 5.4%) up from $1.7 trillion in 2020 and, according to investment manager ArkInvest[23], the satellite broadband market is expected to reach $50 to $100 billion in the medium term. We believe that laser communication will enable aerospace-based constellations in the commercial market to serve cellular backhaul (e.g., 4G/5G/6G), automotive, infrastructure, maritime and consumer applications. For example, by establishing laser-enabled optical mesh networks through satellites in LEO or MEO, laser communication may enable such satellites or high-altitude platforms to perform as virtual cell towers connecting various devices, such as ships, aircraft, cars, satellites, trains and even terrestrial cell towers that may be too difficult or costly to connect via existing terrestrial network connections, providing hundreds of kilometers of coverage radius per network node compared to only a few kilometers provided by terrestrial cell towers. In the future, also government space architectures are expected to move to multi-orbit "proliferated" constellations (i.e., large constellations of small satellites), particularly those based in LEO, but also including laser-linked satellites in higher orbits.

We believe that laser communication will eventually be attractive to a wide range of diversified markets across a number of industries. For example, we believe that laser communication will offer significant advantages for high quantity IoT connectivity involving significant volumes of devices and for private optical mesh networks and backbone connectivity for industries such as aviation. In addition, laser-enabled quantum key distribution (QKD) from space to on premise optical ground terminals may offer widely accessible data security. Laser communication may also play a key role for broadband connectivity through high-altitude platforms (including balloons and drones) functioning as semi-permanent telecommunication platforms in the stratosphere providing regionally limited and/or temporary broadband services.

Given these growth dynamics, we expect a continued rapid increase in active satellites in orbit. Going forward, Beyond Earth Institute estimates that by 2030 there could be as many as 100,000 satellites in orbit. We believe the vast majority of these satellites will be part of communication constellations with

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[21] Based on our assumption of a compound annual growth rate of 2%, based on historical growth rates published by the Stockholm International Peace Research Institute, https://www.sipri.org/media/press-release/2021/world-military-spending-rises-almost-2-trillion-2020

[22]Source: https://www.grandviewresearch.com/industry-analysis/global-telecom-services-market, accessed 1 February 2023

[23]Source: https://research.ark-invest.com/hubfs/1_Download_Files_ARK-Invest/White_Papers/ARK%E2%80%93Invest_BigIdeas_2021.pdf, accessed February 1, 2023

each satellite in the constellation potentially requiring at least two and often four optical communications terminals.

Just as the internet was initially developed as a defense communication network before evolving into a diversified, commercial application network, we believe aerospace communication networks will serve not only government but also industry and consumer needs over the medium-term, presenting a significant market opportunity. We believe that we are currently in the early phase of a multi-decade rollout of laser communication capabilities in aerospace communication networks, which will lead to more widespread use across commercial applications such as broadband satellite, data relay, Earth observation, commercial aviation, airborne reconnaissance, in-orbit data processing services and others. As a result, we believe that the initial deployment of our products in the government market provides a foundation for our presence in the commercial market and believe that validation from our government customers will help position our products for future large-scale deployment.

Based on the ongoing and expected developments in the government, commercial and diversified markets and based on market data available to us, we believe, based on industry studies available to us, that the market for air and space communications equipment (including laser communication) will reach more than $25 billion by 2030 up from $16 billion in 2020.

6.3. Mynaric forecast

Mynaric is currently involved in multiple customer programs with a considerable optical communications terminal backlog. The vast majority of the optical communications terminals in backlog as of December 31, 2022, includes deliverables with key aerospace and defense customers that are related to government-funded satellite constellations with the bulk of these deliveries scheduled to start in the second half of 2023 and continue into 2024 which will materially support expected cash-in from customers as well as revenue for 2023. We believe Mynaric's involvement in these already secured space programs, milestones towards the respective program's deliveries and unit shipments of our CONDOR Mk3 product position the company well to win additional government and commercial space programs that we actively track in our sales pipeline for the space segment.

On January 9, 2023, Mynaric entered into a definitive agreement with a new, undisclosed U.S.-based customer for the delivery of CONDOR Mk3 optical communication terminals with an order value of around $24 million. The order foresees payment milestones in the first and second half of 2023 and product deliveries in the second half of 2023. On January 24, 2023, Mynaric announced an order for a small number of CONDOR Mk3 terminals by Japan-based WARPSPACE. The terminals will be used by WARPSPACE to establish a commercial optical data relay network for Earth observation satellites with product deliveries scheduled for 2023, 2024 and 2025. The order marks Mynaric's first sale in the Japanese space industry. On February 8, 2023, Mynaric announced the delivery of multiple CONDOR Mk2 optical communications terminals to Telesat Government Solutions. Mynaric's first delivery of flight-ready CONDOR optical communications terminals for space applications marks an important milestone towards the product family's space flight heritage.

Regarding our HAWK terminals, we have secured initial customer contracts and are engaged in ongoing programs with multiple customers. We continue to conduct demonstrations and tests with increasing mission scope with the aim to mature our HAWK product for scaled production and deployment. We continue to see sizeable demand for laser communication capabilities by customers focusing on various mobility platforms on the ground for which the HAWK terminal, while primarily developed for airborne applications, may function as a satisfactory demonstration system to evaluate our product's performance and define upcoming product needs. We believe Mynaric's ongoing involvement with these existing and prospective customers, initial product shipments and ongoing demonstrations, position the company well to place its air products with certain customers particularly in the U.S. government market. On March 9, Mynaric announced that it has been selected for three technology development projects related to quantum communication by Germany's Federal Ministry of Education and Research (BMBF). The project selections represent another important win for Mynaric in the European government ecosystem and exemplarily aim to demonstrate an optical communications terminal for airborne high-altitude platforms that can exchange quantum keys through air-to-air and air-to-ground links.

General

Mynaric generally anticipates a significant rise in demand for laser communication products over the next few years and believes it is well-positioned to capture significant business and to continue to secure a defendable market share in the expanding market.

The market for air- and space-based laser communication systems is still relatively nascent, and no historical benchmarks or relevant referenceable trends for it exist. In view of the dynamic market changes currently taking place, financial projections and estimates are subject to considerable uncertainty at this time. Given this nascent stage of the market as well as the extended timeline from customer order acknowledgement to product delivery and revenue recognition, Mynaric reports on two key performance metrics: cash-in from customer contracts in Euros and optical communications terminal backlog in units. Mynaric believes these two metrics provide the most useful forward-looking predictor of the future performance of the Company at this stage of our development.

Optical communications terminal backlog represents the quantity of all open optical communications terminal deliverables in the context of signed customer programs at the end of a reporting period. Optical communications terminals are defined as the individual devices responsible for directing the laser beam in a particular direction and capable of establishing a singular optical link between two terminals. The optical communications terminal backlog particularly includes (i) optical communications terminal deliverables related to customer purchase orders; and (ii) optical communications terminal deliverables in the context of other signed agreements. Accordingly, backlog is calculated as the order backlog at the beginning of a reporting period plus the order intake within the reporting period minus terminal deliveries recognized as revenue within the reporting period and as adjusted for canceled orders, changes in scope and adjustments. If there are multiple options for deliveries under a particular purchase order or binding agreement, backlog only considers the most likely contract option based on management assessment and customer discussions.

Cash-in from customer contracts includes payments from customers under purchase orders and other signed agreements, including accrued payment milestones under customer programs. We often accrue meaningful payment milestones already during the integration phase that precedes customer deliveries. We recognize revenue in connection with our products only upon delivery and acceptance of our products by our customers.

Mynaric expects Optical Communications Terminal Backlog by end of 2023 to significantly increase compared to 256 terminal deliverables in backlog at the end of 2022. Cash-in from customer contracts is also expected to significantly increase compared to €18.3 million cash-in received in FY22. Further, Mynaric expects revenues to increase significantly in 2023 compared to 2022 and operating loss for 2023 to decrease moderately compared to 2022.

	2022 Actual	2023 Forecast
Optical Communications Terminal Backlog (Units)	256	significant increase
Cash-in from Customer Contracts (€ million)	18.3	significant increase
Revenue (€ million)	4.4	significant increase
Operating loss (€ million)	-73.8	moderate decrease

Gilching, May 11, 2023

The Management Board

Bulent Altan Co-CEO	Mustafa Veziroglu Co-CEO	Joachim Horwath Founder & CTO	Stefan Berndt-von Bülow CFO

FY 2022

Remuneration Report

Non-binding convenience translation

REMUNERATION REPORT FOR THE FINANCIAL YEAR 2022

The following remuneration report clearly and comprehensibly presents and explains the remuneration awarded and due to the current and former members of the Management Board and Supervisory Board of Mynaric AG (hereinafter also the "**Company**") in the financial year 2022.

Beyond the requirements of section 162 para. 3 sentence 1 and sentence 2 of the German Stock Corporation Act (*Aktiengesetz*, "**AktG**"), the Management Board and Supervisory Board have decided to have the remuneration report audited not only formally but also materially by the appointed auditor.

1. Overview on the financial year 2022

1.1. Economic environment in the financial year 2022

Mynaric achieved important milestones in 2022, including winning multiple significant orders for CONDOR Mk3 optical communications terminals in the government market, as well as being selected by the European Space Agency (ESA) and the U.S. Defense Advanced Research Projects Agency (DARPA) for trailblazing technology development programs and shipping HAWK terminals for a novel application of a U.S.-based energy customer. In addition to these operational milestones, Mynaric secured a strategic investment by L3Harris.

In February, Mynaric announced that is has been awarded a contract by the European Space Agency (ESA) to analyze, design, build and test on a laboratory model an end-to-end optical communication system that can achieve data transmission speeds of 1 Terabit per second (Tbps). The project, named Pegasus, is allocated within ESA's ScyLight program which supports the research, development, and evolution of optical communication technologies, and provides flight opportunities for in-orbit verification.

In March, Mynaric was selected by Northrop Grumman to deliver CONDOR Mk3 optical communication terminals within the framework of a milestone U.S. government program. Northrop Grumman was selected by the Space Development Agency (SDA) to provide 42 satellites for the Tranche 1 Transport Layer program that will serve critical needs of the U.S. Proliferated Warfighter Space Architecture (PWSA), that was formerly named the National Defense Space Architecture (NDSA). The agreement has an initial value of $36 million and provides for performance-based payment milestones throughout 2022, 2023 and 2024 and product deliveries mostly in 2023 and 2024. Any milestone payments under the SDA order will count towards the $35 million revenue opportunity under Mynaric's strategic agreement with Northrop Grumman announced in November 2021, subject to such milestone payments actually being made. The agreement marks the largest order for optical communications terminals placed with Mynaric specifically and announced in the government market generally to date confirming the trajectory of the industry to procure and deploy industrialized laser communications systems at rapidly increasing scale.

In July, Mynaric and L3Harris signed agreements related to an €11.2 million investment in Mynaric by L3Harris and to future collaboration. Upon the execution of this investment, L3Harris owns approximately 7.2% of Mynaric ordinary shares. Under the framework of this investment, Mynaric will serve as preferred provider of laser communication solutions to L3Harris and L3Harris will be granted certain collaboration privileges. With the strategic framework, the companies seek to build on their existing collaboration in the airborne domain and widen the scope to cover all domains to include space, maritime and ground along with airborne.

In August, Mynaric announced that it was selected as a key development partner to create a benchtop model of a next-generation optical communications terminal as part of Phase 1 of the Space-based adaptive communications node (Space-BACN) program of the Defense Advanced Research Projects Agency (DARPA). DARPA's Space-BACN program envisions a low-cost, scalable optical communications terminal that could be reconfigured to work with various optical intersatellite link standards allowing seamless communication among government and private-sector proprietary satellites. The announcement follows the selection of Mynaric to participate in the Space-BACN program's Phase 0 at the end of 2021 and represents Mynaric's continued success with U.S. government customers that are a driving force for the deployment of space-based, optical communication capabilities.

In October, Mynaric announced that it will provide Northrop Grumman with 42 CONDOR Mk3 optical communications terminals for satellites as part of the Space Development Agency's (SDA) Tranche 1 Tracking Layer program with product deliveries expected mostly in 2024. The Tranche 1 Tracking Layer will detect, identify, and track hypersonic weapons and other advanced missiles from their earliest stages of launch through interception. Once fully deployed in 2025, the Tranche 1 Tracking Layer satellites will operate in up to four low-Earth orbital planes, interconnected with Tranche 1 Transport Layer satellites.

In November, Mynaric announced the delivery of a set of multiple HAWK optical communications terminals for an initial test campaign to a new commercial U.S.-based energy customer. The terminals are intended to be utilized in disaster recovery missions where satellite or terrestrial communications infrastructure has been compromised.

1.2. Changes in the composition of the Management Board and the Supervisory Board

In the financial year 2022, the following changes occurred in the composition of the Management Board:

The appointment of Management Board member and chairman of the Management Board Bulent Altan was extended until the end of March 31, 2025. In addition, the members of the Management Board Stefan Berndt-von Bülow and Joachim Horwath were reappointed as members of the Management Board for a period of three years with effect from July 1, 2022, with simultaneous termination of their current appointments. Furthermore, Mustafa Veziroglu was appointed as a member of the Management Board for a period of three years with effect from August 15, 2022.

The following changes occurred in the composition of the Supervisory Board in the financial year 2022:

At the end of the Annual General Meeting 2022, the term of office of Supervisory Board members Vincent Wobbe and Hans Königsmann, who were appointed by court order to replace the Supervisory Board members Thomas Hanke and Gerd Gruppe who left the Supervisory Board in the financial year 2021, ended. The Annual General Meeting 2022 appointed Vincent Wobbe and Hans Königsmann as members of the Supervisory Board for the remaining term of office of Thomas Hanke and Gerd Gruppe, i.e., until the end of the Annual General Meeting 2023.

1.3. Resolution on the remuneration report for the financial year 2021

For the financial year 2021, a remuneration report was prepared for the first time in accordance with section 162 AktG and its content was also audited by the auditor beyond the requirements of section 162 para. 3 sentence 1 AktG. The remuneration report for the financial year 2021 was approved by the Annual General Meeting 2022 with a majority of 93.22%. In view of the high level of approval for the remuneration report for the financial year 2021, there was no reason to change the reporting.

2. Remuneration of the members of the Management Board of Mynaric AG

2.1. Overview of the remuneration system

The current remuneration system for the members of the Management Board of Mynaric AG (the "**Remuneration System 2022**") was approved by the Annual General Meeting 2022 with a majority of 67.83%.

The remuneration of the members of the Management Board comprises fixed, non-performance-related and variable, performance-related remuneration components. The fixed remuneration comprises a fixed base salary and fringe benefits, the amount of which may vary depending on the occasion and the Management Board member. The variable remuneration consists of a short-term variable remuneration component, the annual bonus, and a long-term variable remuneration component in the form of a stock option plan and a virtual stock program, so-called stock appreciation rights. However, the Supervisory Board has not made use of the option to issue stock appreciation rights to date.

In addition, payments may be granted in exceptional cases in connection with the first-time appointment of a member of the Management Board. In addition, the Remuneration System 2022 provides for the possibility of the Supervisory Board to grant members of the Management Board a bonus of 1% of the investment amount, up to a maximum of €1 million per investment (cap), in the event of an investment in the Company by a strategic investor.

The amount of remuneration paid to the members of the Management Board depends to a large extent on the area of responsibility of the Management Board member, the individual performance and the performance of the Management Board as a whole. In the opinion of the Supervisory Board, it takes into account the economic and financial success of Mynaric AG, is intended to provide an incentive for long-term and sustainable corporate governance and links the interests of the Management Board members with those of the Company's shareholders.

In the financial year 2022, the Remuneration System 2022 only applied to the newly concluded service agreement of Management Board member Mustafa Veziroglu. The Remuneration System 2022 does not apply to the service agreement of Bulent Altan, which was extended in the financial year 2022, or to the newly concluded service agreements of Stefan Berndt-von Bülow and Joachim Horwath. However, the Company has already implemented the main principles of the Remuneration System 2022 in the service agreements of Bulent Altan, Stefan Berndt-von Bülow and Joachim Horwath and, in particular, has also set a maximum remuneration for Stefan Berndt-von Bülow and Joachim Horwath that corresponds to the maximum remuneration as defined in the Remuneration System 2022.

Insofar as the Remuneration System 2022 applied in the financial year 2022, there were no deviations from it within the meaning of section 162 para. 1 sentence 5 AktG.

Fixed remuneration	**Base salary**	Fixed annual base salary		
	Fringe benefits	E.g., subsidies for health and long-term care insurance, relocation costs, double householding		
	Further payments	In exceptional cases, payments in connection with appointment as a member of the Management Board		
Performance-related (variable) remuneration	**Short-term variable remuneration (STI)**	**Annual bonus**	Structure	Annual bonus depending on the achievement of one financial, one operational and one ESG target
			Performance criteria	• Determination of the financial and operational target from the following list of targets for each financial year: ○ Financial target: cash in by customer, sales, gross margin, EBITDA or EBIT ○ Operational target: Terminals produced, terminals delivered to customers, order intake, size, weight and power score • Consideration of the achievement of an ESG target linked to the residue-free combustion of the terminals produced by the company, in the form of a modifier between 0.9 and 1
			Maximum limit	200 % of the target amount
		Investment bonus	Structure	Bonus in the event of an investment by a strategic investor
			Performance criteria	Participation of a strategic investor in the equity of the Company or through subscription to new shares in the Company as part of a capital increase
			Maximum limit	Up to 1% of the investment amount, but not more than €1 million.

Performance-related (variable) remuneration	**Long-term variable remuneration (LTI)**	**Stock option program**	Structure	Issue of stock options, the final exercisable number of which is linked to the Company's share price performance and an ESG target
			Performance criteria	• Absolute share price performance of Mynaric AG (weighted with 80% within the overall target achievement) • ESG target consisting of a diversity target and an employee engagement target (weighted with 20% within the overall target achievement).
			Maximum limit	A maximum of 100% of the originally granted number of stock options will actually become exercisable
		Stock Appreciation Rights	Structure	Share-based remuneration program consisting of stock appreciation rights with a four-year waiting period, which are generally settled in cash
			Performance criteria	• Absolute share price performance of Mynaric AG (weighted with 80% within the overall target achievement) • ESG target consisting of a diversity target and an employee engagement target (weighted with 20% within the overall target achievement).
			Maximum limit	200% of the initial grant volume if settled in cash
Further provisions	**Maximum remuneration**	€6 million for the chairman of the Management Board / €4 million for each ordinary member of the Management Board		
	Malus / Clawback	Right of the Supervisory Board to withhold or reclaim variable remuneration components, in particular in the event of violations by a member of the Management Board of statutory obligations or internal codes of conduct		
	Severance Cap	Severance payments shall not exceed the value of two years' remuneration and shall not remunerate more than the remaining term of the contract		
	Change of control	Right of Management Board members to cancel stock options or stock appreciation rights in the event of a change of control against payment of a severance payment		

The Supervisory Board, with the support of its Compensation Committee and with the assistance of an external remuneration expert, regularly reviews the appropriateness and market conformity of the remuneration of the members of the Management Board. For this purpose, the Supervisory Board reviews a peer group of industry-specific European and U.S. as well as German listed tech companies, consisting of German, U.S. and European tech companies of comparable size. Furthermore, the Supervisory Board also considers the remuneration structure of the first two management levels within the Mynaric Group as well as the average remuneration of the total workforce of the Mynaric Group over time.

2.2. Non-performance-related remuneration components

a) Annual base salary

The members of the Management Board receive a fixed annual base salary, which is generally paid in equal installments. For the financial year 2022, the annual base salary for the individual members of the Management Board was as follows:

Management Board member	2022 in k€	2021 in k€
Bulent Altan	430	248
Stefan Berndt-von Bülow	263	200
Joachim Horwath[24]	263	174
Mustafa Veziroglu[25]	129	./.
Total	**1,085**	**622**

The annual base salary of the Chief Executive Officer Bulent Altan also includes the fixed remuneration he receives for his activities as Chief Executive Officer (CEO) of the 100% subsidiary of the Company Mynaric USA Inc. in the amount of €280[26] thousand (for the financial year 2021: €123[27] thousand). The other members of the Management Board received no remuneration for activities in subsidiaries of Mynaric AG.

b) Fringe benefits and further payments

In addition to their annual base salary, the members of the Management Board receive fringe benefits, which may mainly consist of contributions to a private pension plan, subsidies for health and long-term care insurance, rent subsidies and other benefits in kind.

On the occasion of his appointment as a member of the Management Board, Mustafa Veziroglu was also granted a payment of €80 thousand for his relocation and the move of his family from the USA to Germany.

[24] Member of the Management Board since February 17, 2021.
[25] Member of the Management Board since August 15, 2022.
[26] k$ 294 at an average exchange rate 2022 $/€: 0.95441.
[27] k$ 145 at an average 2021 $/€ exchange rate: 0.848188.

In addition, the chairman of the Management Board, Bulent Altan, was granted an extraordinary payment in the amount of €51,818[28] on the occasion of the extension of his appointment as a member of the Management Board. The members of the Management Board Stefan Berndt-von Bülow and Joachim Horwath were each granted an extraordinary payment in the amount of €62,500 on the occasion of the extension of their appointment as members of the Management Board.

2.3. Performance-related remuneration components

a) Annual bonus (Short Term Incentive, STI)

The members of the Management Board receive a short-term variable remuneration in the form of an annual bonus designed to reward the operational implementation of the corporate strategy in the respective financial year.

The amount of the annual bonus is generally based on the achievement of specific performance targets set by the Supervisory Board. For this purpose, the Supervisory Board has set a target amount that determines the amount of the bonus in the event of 100% target achievement and that corresponds to 50% of the annual (gross) base salary of each Management Board member, in the case of Bulent Altan 50% of the total annual (gross) base salary paid by both Mynaric AG and Mynaric USA Inc.

At the beginning of the following financial year, the Supervisory Board assesses the degree of achievement of the defined performance targets and determines the amount of the annual bonus based on the defined weighting for each performance target, with the payout amount capped at 200% of the target amount (i.e. 50% of the annual (gross) base salary of each Management Board member and, in the case of Bulent Altan, 50% of the total annual (gross) base salary of both Mynaric AG and Mynaric USA Inc.

As the annual bonus 2021 was not paid to the members of the Management Board until June 2022, the annual bonus 2021 is attributed to the remuneration awarded and due within the meaning of section 162 para. 1 sentence 1 AktG in the financial year 2022 and is therefore disclosed in this remuneration report. The amount of the annual bonus for the 2022 financial year will be determined and paid in the financial year 2023 and is therefore attributable to the remuneration awarded and due in the financial year 2023 within the meaning of section 162 para. 1 sentence 1 AktG. The annual bonus 2022 shall therefore be disclosed in the remuneration report for the financial year 2023.

Performance targets for the annual bonus 2021

For the annual bonus 2021, the Supervisory Board has set two performance targets, an operational target (the "**Operational Target**") and a financial target (the "**Financial Target**"), with both the Operational Target and the Financial Target each being weighted at 50% within the overall target achievement. In addition, the Supervisory Board has the possibility of honoring the Management Board members' performance that is not appropriately reflected in the annual bonus by adjusting the target achievement of the annual bonus by up to 30% (so-called "**Discretionary Target**").

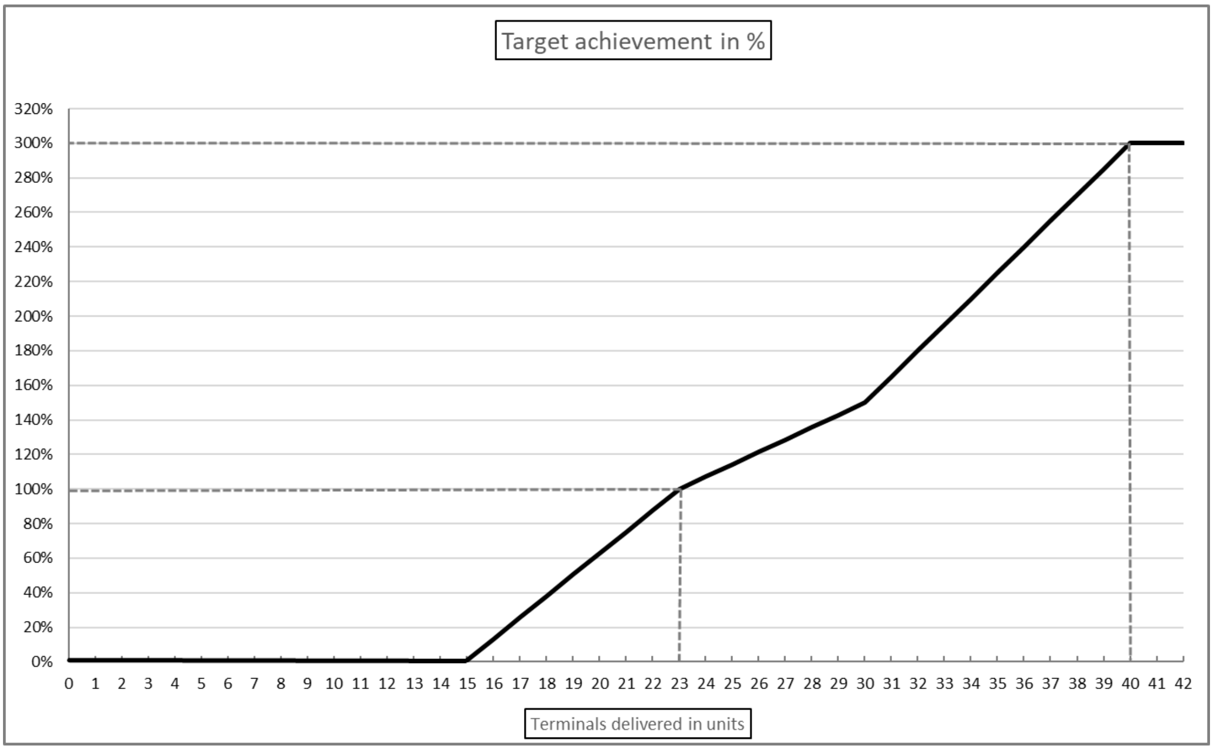
Operational Target

The target achievement for the Operational Target is determined as follows:

The Supervisory Board has based the Operational Target on the number of terminals delivered to customers in the financial year 2021. For this purpose, the Supervisory Board set a target value of 23

[28] Composition: €8,125 paid out by Mynaric AG; € 43,693 paid out by Mynaric USA ($45,780 at an average exchange rate 2022 $/€: 0.95441)

terminals delivered to customers for the Operational Target, which corresponds to a target achievement of 100%. Less than 15 terminals delivered to customers correspond to a target achievement of 0% and 40 terminals delivered to customers corresponds to a target achievement of 300%. It is not possible to increase the target achievement beyond 300% (cap). Between the percentage points, the target achievement increases as follows:



Financial Target

The target achievement for the Financial Target is determined as follows:

The Supervisory Board has based the Financial Target on the amount of payments received from customers in the financial year 2021. For this purpose, the Supervisory Board has set a target value of €10.0 million for the Financial Target, which corresponds to a target achievement of 100%. Payments in the amount of less than € 7.0 million correspond to a target achievement of 0% and payments in the amount of €20.0 million correspond to a target achievement of 300%. An increase in target achievement beyond 300% is not possible (cap). Between the percentage points, the target achievement increases as follows:

Target achievement for the annual bonus 2021

The achievement of the Operational Target and the Financial Target was determined as follows:

In the financial year 2021, only one terminal was delivered to customers, resulting in an achievement of the Operational Target of 0%. Payments from customer contracts amounted to €3.9 million in the financial year 2021, resulting in an achievement of the Financial Target of also 0%. Based on the achievement of the Operational Target and the Financial Target, the overall target achievement of the annual bonus in 2021 was 0%.

Discretionary Target

The Supervisory Board of the Company has the right to adjust the target achievement of the annual bonus by up to 30% at its discretion depending on the achievement of Company targets not included in the Operational Target or the Financial Target. In exceptional cases, this gives the Supervisory Board the opportunity to reward extraordinary performance of the Management Board members that is not appropriately reflected in the target achievement for the annual bonus.

In the financial year 2021, Mynaric AG successfully completed its IPO on the NASDAQ Global Select Market in the U.S., in the course of which the Company placed approximately four million so-called American Depositary Shares (ADS). However, as the thresholds set by the Supervisory Board for the gross issue proceeds to be generated were not reached, the IPO special bonus originally intended for the members of the Management Board was not paid out. However, the Supervisory Board is of the opinion that the outstanding commitment of the members of the Management Board in connection with the IPO, which was also reflected in particular in the acquisition of renowned investors, and the correspondingly high workload should be appropriately rewarded in the financial year. For this reason, the Supervisory Board determined the following payout amounts for the annual bonus 2021:

Management Board member	Target amount [29] in k€	Maximum payout amount in k€	Overall target achievement 2021 in %	Discretionary target achievement in k€	Payout amount in k€
Bulent Altan	124	248	0	40	40[30]
Stefan Berndt-von Bülow	100	200	0	30	30
Joachim Horwath	87	174	0	30	30

Mustafa Veziroglu was not a member of the Management Board of Mynaric AG in the financial year 2021 and therefore did not receive an annual bonus for financial year 2021.

The remuneration system approved by the Annual General Meeting 2022 no longer provides for the possibility of adjusting the target achievement for the annual bonus at the discretion of the Supervisory Board.

Bonus on the occasion of the investment of L3Harris in the financial year 2022

The members of the Management Board may also receive a bonus for investments by strategic investors in the Company exceeding 5% of the respective share capital of the Company. The bonus payment corresponds to an amount equal to 1% of the investment amount, up to a maximum of €1 million. However, in the event of new funds being raised by way of a capital increase, payment will only be made to the extent that the investor invests funds in excess of his existing shareholding in the Company (i.e., does not merely exercise existing subscription rights).

In the financial year 2022, the members of the Management Board – with the exception of Mustafa Veziroglu, who was not yet a member of the Company's Management Board at the relevant time – were granted a bonus on the occasion of the investment in the Company by the strategic investor L3Harris. In return for an investment of around €11.2 million, L3Harris subscribed for shares representing around 7.8% of the Company's share capital of €5,242,948.00 at the time. On this basis, the bonus paid to the members of the Management Board amounted to €112 thousand (1% of the investment amount of around €11.2 million).

a) Long-term variable remuneration (LTI)

The members of the Management Board also receive long-term variable remuneration in the form of participation in the Company's stock option plan, which in the opinion of the Supervisory Board provides an incentive for the members of the Management Board to contribute to the long-term and sustainable development of the Company and links the interests of the Management Board members with those of the shareholders.

In the financial year 2022, a total of 108,000 stock options were granted to the current members of the Management Board under the Stock Option Plan 2022.

[29] Based on 100% target achievement.
[30] Paid out by Mynaric AG in the amount of k€19 and in the amount of k$22 by Mynaric USA at an average exchange rate 2022 $/€: 0.95441.

One stock option entitles the members of the Management Board, after the expiry of a four-year waiting period, to subscribe to one share of the Company against payment of an exercise price equal to the six-month volume-weighted average price of the Mynaric AG share prior to the grant date or of the right or certificate representing the Mynaric AG share in the trading system with the highest total trading volume in shares of the Company prior to the grant date. The Company has the discretion to settle the stock options also in cash.

The stock options can be exercised within a period of five years after expiry of the four-year waiting period. The final number of exercisable stock options depends on the achievement of two performance targets as follows:

The performance targets set for the Stock Option Plan 2022 are linked to the absolute share price performance of the Company (weighted at 80% within the overall target achievement) and an ESG target (weighted at 20% within the overall target achievement).

- The absolute share price performance target is linked to the development of the Company's share price during the waiting period. To determine whether the performance target has been achieved, the last year of the waiting period is divided into four quarters and the three-month volume-weighted average price of the Company's share or the three-month volume-weighted average price, to be converted into amounts per share, of the right or certificate representing the share in the trading system with the highest total trading volume in shares of the Company or in rights or certificates representing such shares (in each case a “**Relevant Closing Price**”) is determined at the end of each quarter. The performance target is 100% achieved if at least one Relevant Closing Price is at least 50% above the exercise price. The absolute share price performance is weighted at 80% within the overall target achievement. If the absolute share price performance target is not achieved, the target achievement for this performance target is 0 %. A target achievement of more than 100 % is not possible.

- The ESG target is composed of a diversity target and an employee engagement target as follows:

  To determine the achievement of the diversity target, the Supervisory Board determines the percentage of women within the Mynaric Group at the beginning of the waiting period. The diversity target is achieved if the percentage of women within the Mynaric Group at the end of the waiting period is five percentage points higher than the percentage of women determined at the beginning of the waiting period. If the proportion of women at the beginning of the waiting period is at least 30% or if the proportion of women within the Mynaric group achieves at least 30% during the waiting period, the diversity target is achieved if the proportion of women within the Mynaric group is still at least 30% at the end of the waiting period.

  The employee engagement target is achieved if the employee engagement within the Mynaric Group at the end of the waiting period, as determined by an external service provider, is at least five percentage points higher than the employee engagement at the beginning of the waiting period. If the employee engagement is at least 80% at the beginning of the waiting period or if an employee engagement of 80% is achieved during the waiting period, the employee engagement target is achieved if the employee engagement is still at least 80% at the end of the waiting period.

  At the end of the waiting period, the Supervisory Board determines the target achievement for the ESG target as follows: If none of the above targets has been achieved by the end of the waiting period, the target achievement for the ESG target is 0%. If one of the above targets has been achieved, the target achievement for the ESG target is 50%. If both of the above targets are achieved, the target achievement for the ESG target is 100%. Achievement of the ESG target above 100% is not possible.

For the overall target achievement, the achievement of the absolute share price performance target is weighted with 80% and the ESG target with 20%. The result forms the overall target achievement level (in percent), which (rounded down to the nearest whole number) determines the number of exercisable stock options.

The following table shows the stock options granted to members of the Management Board under the Stock Option Plan 2022 and the main conditions for their exercise in accordance with section 162 para. 1 sentence 1 no. 3 AktG:

Management Board member	Grant date and start of the waiting period	End of the waiting period	Number of stock options granted	Exercise price in €	Fair value per stock option at the time of issue in €	Total in k€
Bulent Altan[31]	09/30/2022	09/30/2026	33,000	32.90	1.98	65
Stefan Berndt-von Bülow	09/30/2022	09/30/2026	25,000	32.90	1.98	50
Joachim Horwath	09/30/2022	09/30/2026	25,000	32.90	1.98	50
Mustafa Veziroglu	09/30/2022	09/30/2026	25,000	32.90	1.98	50
Total			**108,000**			**215**

The target achievement of the stock option plan and the development of the value of the stock options are to be disclosed in the remuneration report for the financial year 2026.

2.4. Further remuneration-related agreements

a) Maximum remuneration

Pursuant to section 87a para. 1 sentence 2 no. 1 AktG, the Supervisory Board has set a maximum remuneration for the members of the Management Board. The maximum remuneration amounts to €6 million for the chairman of the Management Board and €4 million for each ordinary member of the Management Board for one financial year, irrespective of whether a payment is made in this financial year or at a later date.

In the financial year 2022, the maximum remuneration only applied to the service agreement of the member of the Management Board Mustafa Veziroglu concluded with effect from August 15. However, the new service agreements of Management Board members Stefan Berndt-von Bülow and Joachim Horwath concluded with effect from July 1, 2022, also provide for a maximum remuneration corresponding to the maximum remuneration set out in the Remuneration System 2022.

[31] A total of 40,000 stock options granted to Bulent Altan under the Stock Option Plans 2019, 2020 and 2021 were cancelled in the course of issuing the stock options under the Stock Option Plan 2022.

As the stock options granted to the members of the Management Board under the Stock Option Plan 2022 will become exercisable for the first time in the financial year 2026, compliance with the maximum remuneration for the financial year 2022 are to be reported in the remuneration report for the financial year 2026.

b) Malus and clawback provisions

The service agreements of all Management Board members and the terms and conditions of the Stock Option Plan 2022 contain so-called malus and clawback provisions, according to which the Company is entitled in particular to withhold or reclaim variable remuneration in the event of intentional or grossly negligent breaches by the Management Board member of statutory obligations or internal Company policies by the Company or a subsidiary. The Company had no reason to make use of this option in the financial year 2022.

c) Benefits upon termination of the service agreements

Severance payments

The service agreements of the members of the Management Board contain severance payment provisions that comply with the recommendations of the German Corporate Governance Code.

In the event of a premature termination of the position as a Management Board member, payments by the Company to the Management Board member, including fringe benefits, shall not exceed the value of two years' remuneration (severance payment cap) and shall compensate no more than the remaining term of the service agreement. If the service agreement is terminated for good cause attributable to the Management Board member, no payments will be made to the Management Board member.

The severance payment cap is calculated on the basis of the total remuneration for the previous full financial year and, if applicable, also the expected total remuneration for the current financial year.

Change of control

With the exception of Bulent Altan's service agreement, the service agreements of the Management Board members do not contain any provisions for the event of a change of control. According to Bulent Altan's service agreement, in the event of a change of control both Bulent Altan and the Company have a right to terminate the service agreement against payment of a severance payment equivalent to the value of half a year's remuneration (whereby no more than the remaining term of the service agreement is to be compensated), whereby a "change of control" is defined as the resignation from office of at least three Supervisory Board members.

In addition, the plan conditions of the Stock Option Plan 2022 provide for the following provision in the event of a change of control:

A change of control occurs in this case if a shareholder holds more than 50% of the shares and/or voting rights in Mynaric AG. In the event of a change of control, the members of the Management Board have the right to cancel stock options against payment of a compensation payment in the amount of the purchase price paid in the course of the change of control (or offered to the shareholders in the event of a public offer) or, if such a purchase price is not known, in the amount of the price of the share of Mynaric AG or, respectively of the right or certificate representing the share of Mynaric AG in the trading system with the highest total trading volume in shares of the Company during the last 30 trading days prior to the day on which the Company becomes aware of the change of control and, in the case of stock options, less the exercise price.

Previous stock option plans include the following provision in the event of a change of control:

If the waiting period has not yet expired when the change of control becomes effective, or if the waiting period has expired but the conditions for exercising the stock option plan are not met, the members of the Management Board are entitled to waive the subscription rights within two weeks of the announcement of the change of control by making a unilateral declaration to the Company. In this case, the Management Board members are entitled to a compensation payment in the amount of the purchase price per share of Mynaric AG paid in the course of the change of control less the exercise price. A “change of control” in this sense is the acquisition of more than 50% of the shares of Mynaric AG by a new shareholder.

Post-contractual non-competition clauses

The service agreements of the members of the Management Board currently do not provide for any post-contractual non-competition clauses.

2.5. Individual disclosure of the remuneration of the members of the Management Board for the financial year 2022

a) Target total remuneration of the current Management Board members for the financial year 2022

The following table shows the respective target total remuneration of the Management Board members for the financial years 2022 and 2021, based on the target amount in case of a 100% target achievement for STI and LTI. [32]

Management Board member	Year	Annual base salary		Special payment		Fringe benefits		Short-term variable remuneration		Long-term variable remuneration		Total
		in k€	in %	in k€	in %	in k€	in %	in k€	in %	in k€	in %	in k€
Bulent Altan	2022	430	31.1%	52	3.8%	120	8.7%	237	17.1%	543	39.3%	1,382
	2021	248	13.1%	0	0.0%	104	5.5%	124	6.5%	1,423	74.9%	1,899
Stefan Berndt-von Bülow	2022	263	30.8%	62	7.2%	6	0.7%	113	13.2%	411	48.1%	855
	2021	200	14.6%	0	0.0%	6	0.4%	100	7.3%	1067	77.8%	1,373
Joachim Horwath[33]	2022	263	30.8%	62	7.2%	6	0.7%	113	132%	411	48.1%	855
	2021	174	12.9%	0	0.0%	5	0.4%	100	7.4%	1,067	79.3%	1,346
Mustafa Veziroglu[34]	2022	129	19.2%	0	0.0%	82	12.2%	49	7.3%	411	61.3%	671
	2021	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.

b) Remuneration awarded and due to current members of the Management Board pursuant to section 162 para. 1 sentence 1 AktG

The following table shows the remuneration awarded and due to the current Management Board members in the financial years 2022 and 2021 in accordance with section 162 para. 1 sentence 1 AktG. The tables include all remuneration amounts received by the individual Management Board members

[32] In determining the target total remuneration, the Supervisory Board, unlike in the previous year, no longer used the fair value of the stock options granted as a basis, but rather the assumed share price that must be achieved for a 100% target achievement.
[33] Member of the Management Board since February 17, 2021.
[34] Member of the Management Board since August 15, 2022.

in these financial years ("**awarded**") and the remuneration due, where relevant in the reporting period, but not yet received ("**due**").

The amount of the annual bonus for the financial year 2022 will be determined and paid in the course of the financial year 2023 and thus included in the remuneration awarded and due within the meaning of section 162 para. 1 sentence 1 AktG in the financial year 2023, while the remuneration awarded and due within the meaning of section 162 para. 1 sentence 1 AktG in the financial year 2022 also includes the annual bonus for the financial year 2021 paid in June 2022. The share-based remuneration granted in the financial year 2022 in the form of stock options is disclosed with its value, i.e., the number of stock options granted multiplied by the fair value at the grant date. In addition to the remuneration components, the relative share of all fixed and variable remuneration components within the targe total remuneration is also disclosed in accordance with section 162 para. 1 sentence 1 no. 1 AktG. These relative proportions relate to the remuneration components awarded and due within the meaning of section 162 para. 1 sentence 1 AktG in the respective financial year.

Management Board member	Year	Annual base salary		Extraordinary payments		Fringe benefits		Short-term variable remuneration		Long-term variable remuneration[35]		Total
		in k€	in %	in k€	in %	in k€	in %	in k€	in %	in k€	in %	in k€
Bulent Altan	2022	430	52.5%	52	6.3%	120	14.7%	152	18.6%	65	7.9%	819
	2021	248	16.6%	0	0,0%	104	6.9%	138	9.2%	1.007	67.3%	1.497
Stefan Berndt-von Bülow	2022	263	50.3%	62	11.9%	6	1.1%	142	27.1%	50	9,6%	523
	2021	200	19.9%	0	0.0%	6	06%	43	4.3%	755	75.2%	1.004
Joachim Horwath[36]	2022	263	50.3%	62	11.9%	6	1.1%	142	27.1%	50	9.6%	523
	2021	174	18.6%	0	0.0%	5	0.5%	0	0.0%	755	80.9%	934
Mustafa Veziroglu[37]	2022	129	49.5%	0	0.0%	82	31.5%	0	0.0%	50	19.0	261
	2021	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.

[35] This value is composed of the number of stock options granted multiplied by the fair value of a stock option at the date of grant of €1.98.
[36] Member of the Management Board since February 17, 2021.
[37] Member of the Management Board since August 15, 2022.

c) Remuneration awarded and due to former members of the Management Board pursuant to section 162 para. 1 sentence 1 AktG

The following table shows the remuneration awarded and due within the meaning of section 162 para. 1 sentence 1 AktG of the former members of the Management Board.

		Annual base salary		Fringe benefits		Short-term variable remuneration		Long-term variable remuneration		Severance payments		Total
Manage-ment Board member	Year	in k€	in %	in k€	in %	in k€	in %	in k€	in %	in k€	in %	in k€
Dr. Wolfram Peschko[38]	2022	0	0%	0	0%	0	0%	0	0%	93	100%	93
	2021	0	0%	0	0%	43	12.4%	0	0%	305	87.6%	348

2.6. Individual disclosure of the remuneration of the members of the Supervisory Board for the financial year 2022

The following table shows the remuneration awarded and due within the meaning of section 162 para. 1 sentence 1 AktG of the current members of the Supervisory Board, whereby the remuneration awarded includes the remuneration for which the activity for which the remuneration is granted was performed in full in the financial year 2022. No remuneration was granted to former members of the Supervisory Board in the financial year 2022.

The remuneration of the members of the Supervisory Board for the financial year 2022 was determined by resolution of the Annual General Meeting on May 14, 2021 (agenda item 6) and confirmed by resolution of the Annual General Meeting on July 14, 2022 (agenda item 7) in accordance with section 113 para. 3 AktG.

Accordingly, the members of the Supervisory Board receive a remuneration of €60 thousand for each full financial year of service on the Supervisory Board. The chairman receives double the remuneration, the deputy chairman one and a half times the remuneration. Supervisory Board members who are also members of the Audit Committee also receive a remuneration of €20 thousand for each full financial year of membership of the Audit Committee in addition to the remuneration for their work on the Supervisory Board as a member, chairman or deputy chairman. The chairman of the Audit Committee receives one and a half times the remuneration.

Each member of the Supervisory Board shall receive an additional attendance fee of €500 per meeting for participating in a meeting or in a resolution adopted by the Supervisory Board by telephone. Remuneration and attendance fees are payable after the end of the respective financial year. Supervisory Board members who have not belonged to the Supervisory Board for a full financial year receive remuneration pro rata temporis according to the duration of their membership in the Supervisory Board.

[38] Member of the Management Board until May 5, 2020.

Member of the Supervisory Board	Year	Fixed remuneration		Attendance fees		Total
		in k€	in %	in k€	in %	in k€
Dr. Manfred Krischke	2022	140	92.7%	11	7.3%	151
	2021	71	88.7%	9	11.3%	80
Peter Müller-Brühl	2022	110	90.9%	8	9.1%	118
(since October 5, 2021)	2021	42	84%	8	16%	50
Hans Koenigsmann	2022	60	90.9%	6	9.1%	66
(since October 13, 2021)	2021	11	91.7%	1	8,3%	12
Steve Geskos	2022	90	89.1%	11	10.9%	101
(since May 14, 2021)	2021	27	84.4%	5	15.6%	32
Vincent Wobbe	2022	60	89.6%	7	10.4%	67
(since July 30, 2021)	2021	16	84.2%	3	15.8%	19

2.7. Comparative presentation of remuneration and earnings performance

The following tables show the annual change in the remuneration awarded and due to current and former members of the Management Board and Supervisory Board, the Company's earnings performance, and employee remuneration on a full-time equivalent basis, the latter being based on the average wages and salaries of employees at all Group companies in Germany and abroad.

For the members of the Management Board and the Supervisory Board, the remuneration awarded and due within the meaning of section 162 para. 1 sentence 1 AktG for the financial years 2022 and 2021 is taken into account.

The presentation of average employee remuneration is based on the average remuneration of all employees of the Mynaric Group on a full-time equivalent basis. The components of average employee remuneration presented generally correspond to the remuneration awarded and due to the members of the Management Board and Supervisory Board in accordance with section 162 para. 1 sentence 1 AktG, with the exception of the long-term remuneration consisting of the stock option plan and a restricted stock unit program, which were measured as equity-settled share-based payment transactions in accordance with IFRS 2.

The presentation of the annual development in remuneration and the Company's earnings performance is built up successively over a period of five years.

Comparative representation	2022 in k€	2021 in k€	Development 2022/2021 in %	2020 in €	Development 2021/2020 in %
Earnings development					
Consolidated net income/loss for the period	-73,782	-45,477	-62%	-20,642	-120%
Net income/loss of Mynaric AG according to HGB	-9,919	-13,178	25%	-9,602	-37%
Employees					
Employee remuneration within the Mynaric Group	95	90	6%	84	6%
Members of the Management Board active in the financial year					
Bulent Altan	819	1,497	-45%	782	91%
Stefan Berndt-von Bülow (since September 16, 2020)	523	1,004	-48%	321	213%
Joachim Horwath (since February 17, 2021)[39]	523	934	-44%	18	5,089%
Mustafa Veziroglu (since August 15, 2022)	261	./.	./.	./.	./.
Average	**531**	**1,145**	**-54%**	**374**	**206%**
Former members of the Management Board					
Dr. Wolfram Peschko (until May 5, 2020)	93	348	-73%	277	26%
Average	**93**	**348**	**-73%**	**277**	**26%**
Members of the Supervisory Board active in the financial year					
Dr. Manfred Krischke	151	80	89%	40	100%
Peter Müller-Brühl (Vice Chairman since October 5, 2021)	118	50	136%	20	150%
Hans Koenigsmann (since October 13, 2021)	66	12	450%	./.	./.
Steve Geskos (since May 14, 2021)	101	32	216%	./.	./.
Vincent Wobbe (since July 30, 2021)	67	19	253%	./.	./.
Average	**101**	**39**	**161%**	30	**29%**

[39] The remuneration presented for 2020 for Joachim Horwath relates to the payment of a bonus as a member of the Executive Board (until March 13, 2019) for financial year 2019, which has been paid in the financial year 2022.

3. Other

Mynaric AG maintains a D&O insurance policy for the members of the Management Board, which provides for a deductible for Management Board members that meets the requirements of the German Stock Corporation Act.

4. Supplementary notes

This report is also available in German. In case of any discrepancies between the English and the German version, the German version shall prevail.

May 15, 2023

Management Board Supervisory Board

5. Independent Auditor's Report

To Mynaric AG

Report on the audit of the remuneration report

We have audited the attached remuneration report of Mynaric AG, Gilching, for the financial year from January 1, 2022 to December 31, 2022, including the related disclosures, prepared to meet the requirements of Section 162 AktG [Aktiengesetz: German Stock Corporation Act].

Mynaric AG is not a listed company within the meaning of Section 162 para. 1 AKtG in conjunction with section 3 para. 2 AktG, as the shares of Mynaric AG are not admitted to trading on a German regulated market or a comparable market. The company is not obliged to prepare the renumeration report. The Management Board and the Supervisory Board have voluntarily prepared the renumeration report in accordance with the requirements of Section 162 AktG.

Responsibilities of Management and the Supervisory Board

The management and the Supervisory Board of Mynaric AG are responsible for the preparation of the remuneration report, including the related disclosures, in accordance with the requirements of Section 162 AktG. The management and the Supervisory Board are also responsible for such internal control as they have determined necessary to enable the preparation of the remuneration report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, including the related disclosures, in the remuneration report. The procedures selected depend on the auditor's professional judgement. This includes an assessment of the risks of material misstatement, whether due to fraud or error, in the remuneration report, including the related disclosures. In assessing these risks, the auditor considers the internal control system relevant for the preparation of the remuneration report, including the related disclosures. The objective is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the Supervisory Board, as well as evaluating the overall presentation of the remuneration report, including the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the financial year from January 1, 2022 to December 31, 2022, including the related disclosures, complies in all material respects with the financial reporting requirements of Section 162 AktG.

Other matter – formal examination of the remuneration report

The substantive audit of the remuneration report described in this independent auditor's report includes the formal examination of the remuneration report required by Section 162 (3) AktG, including issuing an assurance report on this examination. As we have issued an unqualified opinion on the substantive audit of the remuneration report, this opinion includes the conclusion that the disclosures pursuant to Section 162 (1) and (2) AktG have been made, in all material respects, in the remuneration report.

Limitation of liability

The terms governing this engagement, which we fulfilled by rendering the aforesaid services to Mynaric AG, are set out in the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as amended on 1 January 2017. By taking note of and using the information as contained in this auditor's report, each recipient confirms to have taken note of the terms and conditions laid down therein (including the limitation of liability of EUR 4 million for negligence under Clause 9 of the General Engagement Terms) and acknowledges their validity in relation to us.

Munich, May 15, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hutzler Wirtschaftsprüfer [German Public Auditor]	Vedernykova Wirtschaftsprüfer [German Public Auditor]

FY 2022

Corporate Governance Report

Corporate Governance Report

Corporate Governance Statement, Group Corporate Governance Statement and Corporate Governance Report

The Corporate Governance Statement, the Group Corporate Governance Statement and the Corporate Governance Report are also published on our website under "Investor Relations - Corporate Governance".

Corporate Governance Statement pursuant to Section 289f HGB and Group Corporate Governance Statement pursuant to Section 315d HGB for the financial year 2022

In the Corporate Governance Statement pursuant to Section 289f of the German Commercial Code (HGB) and the Group Corporate Governance Statement pursuant to Section 315d of the HGB, the Management Board and Supervisory Board provide information on the most important elements of our corporate governance. In addition to the annual Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), they include relevant disclosures on corporate governance practices as well as other aspects of corporate governance such as, in particular, a description of the working methods of the Management Board and Supervisory Board.

Declaration of the Management Board and the Supervisory Board of Mynaric AG on the recommendations of the "Government Commission on the German Corporate Governance Code" ("Code") pursuant to Section 161 AktG

The Management Board and Supervisory Board of Mynaric AG adopted the following Declaration of Conformity on April 26, 2023:

The Management Board and Supervisory Board of Mynaric AG declare pursuant to § 161 AktG:

1. Since issuing its last Declaration of Conformity on April 26, 2022 (as supplemented and updated on July 15, 2022), Mynaric AG has complied with the recommendations of the German Corporate Governance Code as amended on December 16, 2019 ("**GCGC 2020**") with the exceptions described below:

    - The Company still does not comply with Recommendation G.17 of the GCGC 2020, according to which the higher time expenditure of the Chairman and members of Supervisory Board committees is appropriately taken into account in the compensation. The 2021 Annual General Meeting of the Company set higher compensation for the Chairman and members of the Audit Committee. The 2022 Annual General Meeting of the Company confirmed this resolution and adopted a corresponding compensation system for the Supervisory Board. The members of the Supervisory Board do not receive higher compensation for their work as Chairman and members of the Compensation Committee and the Corporate Governance and Nomination Committee. The activities of the Chairman and the members of the Compensation Committee and the Corporate Governance and Nomination Committee do not result in a significantly higher time commitment, so that the Company believes that higher compensation is not necessary.

    - The Company still does not comply with Recommendation F.2 of the GCGC 2020, according to which the consolidated financial statements and the group management report should be publicly accessible within 90 days of the end of the financial year. The Company considers the statutory requirements for publication of the consolidated financial statements and the Group management report to be sufficient to ensure proper accounting.

2. In addition, Mynaric AG has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the Code version dated April 28, 2022 ("**GCGC 2022**") as of the date of publication of the GCGC 2022 in the Federal Gazette on June 27, 2022 with the aforementioned deviations from recommendations G.17 and F.2 of the GCGC 2020, which correspond to a deviation from recommendations G.17 and F.2 of the GCGC 2022, as well as the following exception:

   The company does not yet comply with Recommendation A.3 of the GCGC 2022, according to which the internal control system and the risk management system should also cover sustainability-related objectives, whereby this should also include the processes and systems for recording and processing sustainability-related data. The company is currently still working on a corresponding adjustment of the internal control system and the risk management system and intends to comply with recommendation A. 3 of the GCGC in the near future.

3. Mynaric AG will - with the aforementioned exceptions - continue to comply with the recommendations of the GCGC 2022.

Munich, April 26, 2023

For the Management Board:	For the Supervisory Board:
Bulent Altan Chairman of the Management Board	Dr. Manfred Krischke Chairman of the Supervisory Board

Remuneration system and remuneration report

The applicable remuneration system for the members of the Management Board pursuant to Section 87a para. 1 and 2 sentence 1 AktG, which was approved by the Annual General Meeting 2022, as well as the resolution adopted by the Annual General Meeting 2022 pursuant to Section 113 para. 3 AktG on the remuneration of the members of the Supervisory Board are publicly available on our website under: Corporate Governance Section

On the same webpage the remuneration report and the auditor’s report pursuant to Section 162 AktG are made publicly available.

Information on corporate governance practices

Compliance

Compliance with rules of conduct and laws is ensured at our Company in particular by the following documents enforced throughout the Group: a groupwide Compliance Guideline including a Code of Conduct and a Code of Business Conduct and Ethics, as well as other internal processes and policies. Our Compliance Guideline sets out the fundamental principles and the most important guidelines and courses of action for conduct in business. Particularly in business, legal or ethical conflict situations, it serves as a valuable aid for our employees and managers. In addition, the Code of Conduct reinforces our transparent and coherent management principles as well as the trust of the public, business partners, employees and financial markets. Adherence to the compliance directive is carefully monitored. Groupwide implementation of the Code of Conduct is monitored by the global Compliance Committee. The policy itself is also regularly reviewed and adapted if and when needed. This also applies to the compliance management program implemented at our Company, which on the one hand is designed to ensure compliance with all legal requirements, but on the other hand also implements high ethical standards that are mandatory for both management and every employee. Overall responsibility for the compliance management program lies with the Management Board, which reports regularly on this to the Supervisory Board. In fulfilling its compliance responsibility, the Management Board has delegated the relevant tasks to various functions at Mynaric.

Working methods of the Management Board and Supervisory Board and of the Executive Management Team, and composition and working methods of the committees

To ensure good corporate governance, open, comprehensive and regular communication is the guiding principle for cooperation between our Management Board and Supervisory Board. The dual management system prescribed by the German Stock Corporation Act explicitly separates the management and supervision of a company. The responsibilities of both bodies are clearly defined by law and by the Articles of Association and the rules of procedure of the bodies. The Management Board and Supervisory Board work closely together and act and make decisions for the benefit of the Company. Their declared aim is to sustainably increase the value of the Company.

Each Management Board member is responsible for his or her own area of responsibility, which is defined in the schedule of responsibilities and about which he or she keeps his or her Management Board colleagues informed on an ongoing basis. Cooperation between the members of the Management Board is governed by rules of procedure. Both the schedule of responsibilities and the rules of procedure have been approved by the Supervisory Board.

The Company has also established the so-called Executive Management Team. Under the leadership of the Chairman of the Management Board, the Executive Management Team is responsible for strategy development, the operational management of the Company and the achievement of its goals and results. The Executive Management Team prepares decisions for the Management Board's resolutions and adopts resolutions jointly with the Management Board, unless these are the sole responsibility of the Management Board by law or by resolution of the Supervisory Board. The Executive Management Team consists of the members of the Management Board and senior executives from the Company's core areas such as Business Development & Sales, Chief Engineering and Quality, Operations, Engineering, Information Technology, Communications and Investor Relations, Human Resources, and Legal & Compliance. In addition to the members of the Management Board, current members of the Executive Management Team are Tina Ghataore, CCO, Juan Carlos Lopez, COO, Sven Meyer-Brunswick, C3PO, and Luis Martin-Navajas, Chief Engineer. In the case of specific issues, representatives from other specialist departments are consulted accordingly.

Meetings of the Management Board shall be held regularly, but at least every two weeks. They must take place when the best interests of the Company so require. In addition, meetings of the Executive Management Team shall generally be held weekly and when required in the interests of the Company.

Resolutions of the full Management Board are adopted by a simple majority. In the event of a tie, the Chairman of the Management Board shall have the casting vote. In the event of significant events, any member of the Management Board or Supervisory Board may convene an extraordinary meeting of the full Management Board. Resolutions of the Management Board may also be adopted outside meetings by fax, e-mail or in writing or by other customary means of communication. Written minutes shall be prepared for each meeting of the Management Board. A copy of these minutes shall be made available to each member of the Management Board without delay. The minutes shall be deemed approved if no member of the Management Board objects at the subsequent meeting.

The Management Board maintains regular contact with the Chairman of the Supervisory Board, informs him of the course of business and the current situation of the Group, and discusses with him the strategy, planning and business development and risk management of the Company. In the case of significant events and business matters which could have a major impact on the assessment of the situation and development as well as on the management of the Company, the Management Board reports immediately to the Chairman of the Supervisory Board. The Rules of Procedure of the Management Board provide for reservations of approval in favor of the Supervisory Board for significant business transactions. More information on the cooperation between the Management Board and the Supervisory Board and on important topics of discussion in the fiscal year 2022 can be found in the Report of the Supervisory Board.

The Supervisory Board holds at least two meetings per calendar half-year. In addition to the provisions of the Articles of Association, the Supervisory Board has adopted rules of procedure for its work: According to these rules, the Chairman of the Supervisory Board coordinates the work of the Supervisory Board and the cooperation between the Supervisory Board and the Management Board, chairs the meetings of the Supervisory Board and represents the interests of the Supervisory Board externally. The Supervisory Board generally adopts its resolutions at meetings. However, resolutions may also be adopted outside a meeting in writing (including by e-mail) or by telephone or video conference.

Resolutions of the Supervisory Board are generally adopted by a simple majority of the votes cast. The Supervisory Board meetings are minuted. Resolutions adopted outside meetings are also recorded in writing. A copy of the Supervisory Board minutes is made available to all members of the Supervisory Board.

In accordance with the recommendation in D.12 of the Code, the Supervisory Board regularly assesses how effectively the Supervisory Board as a whole and its committees perform their duties. The most recent review was carried out by the Supervisory Board in January 2022. The review was carried out on the basis of a questionnaire completed by each member of the Supervisory Board. The results were then discussed and evaluated at a subsequent Supervisory Board meeting.

Composition and working methods of the committees of the Management Board and Supervisory Board

The Management Board has not established any committees.

The Supervisory Board has three permanent committees: the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee. These three committees formed by the Supervisory Board are each staffed with professionally qualified members.

Audit Committee

The central task of the Audit Committee is to support the Supervisory Board in fulfilling its monitoring duty, in particular with regard to the accuracy of the annual and consolidated financial statements, the activities of the auditor, and the internal control functions, especially risk management and compliance. In addition, the Audit Committee submits a recommendation to the Supervisory Board for its proposal to the Annual General Meeting for the election of the independent auditor. The members of the Audit Committee are Steve Geskos (Chairman), Dr. Manfred Krischke and Peter Müller-Brühl.

Steve Geskos had different management positions in various listed and unlisted companies throughout his career and therefore brings extensive knowledge and experience in the field of accounting (including sustainability reporting and its audit).

Due to his many years of activities and experiences in management positions in various companies, Dr. Manfred Krischke has special knowledge and experience in the fields of accounting and auditing (including sustainability reporting and its audit) and brings this experience to the Audit Committee and the full Supervisory Board of Mynaric AG.

Peter Müller-Brühl had different management positions in various listed and unlisted companies throughout his career and therefore brings extensive knowledge and experience in the field of accounting (including sustainability reporting and its audit).

Compensation Committee

The Compensation Committee prepares the resolution of the full Supervisory Board on the remuneration system for the Management Board and its implementation in the Management Board service agreements and the review of the appropriateness of Management Board remuneration. Furthermore, the Compensation Committee prepares the regular review of the remuneration system and the approval of the annual remuneration report. Finally, the Committee prepares the service agreements with the Management Board members. The members of the Compensation Committee are Dr. Manfred Krischke (Chairman), Peter Müller-Brühl and Vincent Wobbe.

Corporate Governance and Nominating Committee

If necessary, the Corporate Governance and Nominations Committee supports the search for suitable candidates for appointment as members of the Management Board or Supervisory Board and submits proposals in this regard to the full Supervisory Board. The committee also deals with corporate governance issues in the Group and prepares in particular the resolutions of the Supervisory Board on the annual Declaration of Conformity, corporate governance reporting and the Supervisory Board report. The members of the Corporate Governance and Nominating Committee are Dr. Manfred Krischke (Chairman), Peter Müller-Brühl and Vincent Wobbe.

In accordance with Section C.14 of the Code, the curricula vitae of the members of the Supervisory Board are published on our website under "Company - Management - Supervisory Board".

Competency profile, diversity concept and goals for composition as well as competence matrix

The Supervisory Board of the Company has revised its competence profile and the objectives for its composition and prepared a diversity concept in accordance with Section 289f para. 2 No. 6 HGB.

Accordingly, the Supervisory Board of Mynaric AG is to be composed in such a way that the Supervisory Board as a whole possesses the knowledge, skills and professional experience required for the proper performance of its duties and that appropriate supervision and advice of the Management Board of Mynaric AG is ensured, taking into account the principle of diversity.

For the election of Supervisory Board members, candidates are proposed to the Annual General Meeting who meet the overall competence profile of expertise, experience, integrity, commitment, independence and character. The proposals to the Annual General Meeting also take into account the objectives for the composition of the Supervisory Board.

Competency profile for the Supervisory Board of Mynaric AG

The members of the Supervisory Board as a whole should have the professional competence and experience to fulfill the tasks of the Supervisory Board of Mynaric AG as an internationally active laser communications company.

For the composition of the Supervisory Board of Mynaric AG, the Supervisory Board considers the following skills and knowledge in particular to be decisive:

- General knowledge of the industry in which the Company operates in order to make sufficient and substantive contributions at Supervisory Board meetings;
- At least one member must have experience or knowledge in the aerospace, transportation and/or communications industries.
- At least one member must have experience or knowledge of manufacturing
- At least one member must have expertise in the field of accounting and at least one further member must have expertise in the field of auditing (Section 100 para. 5 AktG);
- At least one member must have expertise regarding sustainability issues relevant to the Company;
- At least one member must have experience or knowledge in personnel matters with respect to Management Board matters.

Diversity concept for the Supervisory Board of Mynaric AG

The Supervisory Board strives for an appropriate level of diversity in terms of age, gender, internationality and professional background as well as technical expertise, experience and personality in order to achieve a diverse composition of the Supervisory Board and to enable the Supervisory Board as a whole to base its decisions on different cultural and professional perspectives and a broad range of experience.

In particular, the Supervisory Board will consider the following criteria:

- At least two members of the Supervisory Board must have extensive international experience or an international background;
- At least one member of the Supervisory Board is under 60 years of age at the time of appointment;
- At least two members of the Supervisory Board have different professional backgrounds and experience.

With regard to the proportion of women on the Supervisory Board, the Supervisory Board has set targets and deadlines for their achievement in accordance with Section 111 para. 5 AktG, to which reference is made.

Further objectives for the composition of the Supervisory Board

AGE LIMIT

As a rule, the members of the Supervisory Board of Mynaric AG shall not be older than 70 years at the time of their appointment by the Annual General Meeting. However, the Supervisory Board may resolve an exception to this rule in certain cases.

DURATION OF THE TERM OF OFFICE

The uninterrupted term of office of a member of the Supervisory Board shall generally not exceed twelve years. However, the Supervisory Board may resolve to make an exception to this provision in certain cases.

INDEPENDENCE

The Supervisory Board of Mynaric AG considers a number of at least three independent members to be appropriate, taking into account the shareholder structure. According to the Code, a Supervisory Board member is independent of Mynaric AG, its Management Board or a controlling shareholder if he or she has no personal or business relationship with the Company, the Management Board or a controlling shareholder. In assessing the independence of Supervisory Board members, the Supervisory Board is guided by the recommendations of the Code, among others. This means, among other things, that a Supervisory Board member is generally not to be regarded as independent if the member or a close family member of the member is

- was a member of the Management Board of Mynaric AG in the two years prior to his appointment to the Supervisory Board of Mynaric AG;
- has or had a material business relationship (directly or indirectly) with Mynaric AG or a group company of Mynaric AG in the year preceding his appointment;
- Is a close family member of a member of the Management Board; or
- has been a member of the Supervisory Board for more than twelve years.

Significant and lasting conflicts of interest, in particular due to activities at major competitors, are to be avoided. However, it must be taken into account that conflicts of interest cannot generally be ruled out in individual cases. Possible conflicts of interest are to be disclosed to the Chairman of the Supervisory Board and will be eliminated by appropriate measures. In the event of a conflict of interest that is not merely temporary, this may lead to the termination of the Supervisory Board mandate of the member concerned.

AVAILABILITY

All members of the Supervisory Board must ensure that they can devote sufficient time to properly perform the duties associated with their Supervisory Board mandate at Mynaric AG. As a rule, this requires that

- the Supervisory Board member is able to attend at least four ordinary Supervisory Board meetings per year in person or by video conference, for each of which adequate preparation time is required;
- the Supervisory Board member may attend extraordinary meetings of the Supervisory Board if this is necessary to deal with specific issues;
- the Supervisory Board member can attend the Annual General Meeting;
- the Supervisory Board member has sufficient time to review the annual financial statements and the consolidated financial statements; and
- the Supervisory Board member, depending on his or her membership of one or more of the Supervisory Board's currently three standing committees, allocates additional time to prepare for and attend committee meetings.

mynaric

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Current composition of the Supervisory Board

The implementation status of the competence profile and expertise is disclosed below in the form of a qualification matrix:

		Manfred Krischke	Hans Königs-mann	Steve Geskos	Peter Müller-Brühl	Vincent Wobbe
Length of membership	Member since	2017	2021	2021	2018	2021
Personal aptitude	Independence	x	x	x	x	x
	No overboarding	x	x	x	x	x
Diversity	Date of birth	March 16, 1966	April 28, 1963	June 6, 1977	February 9, 1968	June 8, 1986
	Gender	Male	Male	Male	Male	Male
	Nationality	German	German/ US American	US American	German	German
	International experience/ international background	x	x	x	x	x
	Education/ professional background	Aerospace engineering	Aerospace engineering	Business administration	Business administration	Finance
Competences	Knowledge of the industry	x	x	x	x	x
	Experience or knowledge in aerospace, transportation and/or communication industries	x	x	x	x	x
	Experience or knowledge of manufacturing	x	x		x	
	Personal matters relating to the Management Board	x			x	x
	Expert pursuant to Sec. 100 para. 5 AktG					
	• Accounting expert	x		x	x	x
	• Audit expert	x		x	x	x
	Sustainability	x	x	x	x	x

Target figures for the proportion of women

On the Supervisory Board

The Supervisory Board of Mynaric AG currently consists of five members, none of them women, which corresponds to a proportion of women on the Supervisory Board of 0%.

The Supervisory Board of Mynaric AG has set the target for the proportion of women on the Supervisory Board at 20%, i.e., at least one in five members should be a woman. This target figure is to be achieved by March 31, 2027.

On the Management Board

The Management Board of Mynaric AG currently consists of four male members. The current proportion of women on the Company's Management Board is therefore 0%.

The Supervisory Board of Mynaric AG has set the target for the proportion of women on the Management Board at 25%, i.e., at least one in four members should be a woman. This target figure is to be achieved by March 31, 2027.

In the first and second management levels below the Management Board

1. Target figure for the first management level below the Management Board

   The Management Board set a target of 25% women in the first management level below the Management Board in April 2022 and intends to achieve this minimum proportion of 25% women in the first management level below the Management Board by March 31, 2027. The target figure for the first management level below the Management Board is currently met.

2. Target figure for the second management level below the Management Board

   The Management Board set a target of 25% women in the second management level below the Management Board in April 2022 and intends to achieve this minimum proportion of 25% women in the second management level below the Management Board by March 31, 2027. The target figure for the second management level below the Management Board is currently not met. The Management Board however continuously strives to increase the proportion of women on the second management level below the Management Board and to ensure that the target figure will be met.

Diversity concept for the Management Board of Mynaric AG

In accordance with Section 289f para. 2 no. 6 of the German Commercial Code (HGB), the Supervisory Board has defined the following diversity concept for the composition of the Management Board of Mynaric AG. The aim of the diversity concept for the Management Board is to use the aspect of diversity in a targeted manner for the further success of the Company. The Supervisory Board believes that diversity in the sense of different perspectives, competencies and backgrounds of experience is an important prerequisite for competitiveness and sustainable corporate success. Together with the Management Board, the Supervisory Board ensures long-term succession planning for the Management Board. In the search for candidates for the position of a member of the Management Board of Mynaric AG, the decisive selection criteria include professional qualifications for the department to be taken over, leadership qualities, past performance, and acquired skills and knowledge of the business of Mynaric AG.

In determining the composition of the Management Board, the Supervisory Board also takes particular account of the following aspects:

- The members of the Management Board as a whole should have the knowledge, skills and professional experience required to perform their duties.
- If possible, the members of the Management Board should have different educational and professional experience.

* The members of the Management Board should be familiar in their entirety with the market environment, the individual business areas and the market segment in which Mynaric AG operates.
* The members of the Management Board shall, as a whole, have relevant experience in the management of listed companies.
* The members of the Management Board should have a balanced age structure.
* With regard to the proportion of women on the Management Board, the Supervisory Board has set targets and deadlines for their achievement in accordance with Section 111 para. 5 AktG, to which reference is made. The above criteria have already been taken into account in the appointment of Management Board members.

Further objectives for the composition of the Management Board

Age limit

At the time of their appointment, Management Board members shall not be older than 67. However, the Supervisory Board may resolve an exception to this in individual cases. The age limit of 67 is currently complied with.

FY 2022

Consolidated Financial Statements

Consolidated Financial Statements

1. Consolidated statements of profit/loss and other comprehensive income/loss for the years ended December 31, 2022, and 2021
2. Consolidated statements of financial position as of December 31, 2022, and December 31, 2021
3. Consolidated statements of changes in equity for the years ended December 31, 2022, and 2021
4. Cash flows for the years ended December 31, 2022, and 2021
5. Notes to the Consolidated Financial Statements

I. Consolidated statements of profit/loss and other comprehensive income/loss for the years ended December 31, 2022, and 2021

€ thousand	Note	2022	2021
Revenue	6.	4,422	2,355
Change in inventories of finished goods and work in progress	7.	760	568
Own work capitalized	8.	1,567	4,615
Other operating income	9.	2,376	435
Cost of materials	10.	-15,434	-10,624
Personnel costs	11.	-37,410	-23,365
Depreciation, amortization and impairment	12.	-7,989	-4,518
Other operating costs	13.	-22,082	-11,830
Operating profit/loss		**-73,790**	**-42,364**
Interest and similar expenses	14.	-2,545	-2,148
Net foreign exchange gain /loss	14.	2,574	826
Net finance income/costs		**29**	**-1,322**
Share of profit of equity-accounted investees, net of tax	20.	-45	0
Loss before tax		**-73,806**	**-43,686**
Income tax expense	15.	24	-1,791
Consolidated net profit/loss		**-73,782**	**-45,477**
Other comprehensive income/loss			
Items which may be subsequently reclassified to profit and loss			
Foreign operations – foreign currency translation differences		-411	-498
Total		**-411**	**-498**
Other comprehensive income/loss for the period after tax		**-411**	**-498**
Total comprehensive loss for the period		**-74,193**	**-45,975**
Weighted average ordinary shares outstanding (basic and diluted)	16.	5,435,839	4,250,134
Basic and diluted loss per share in €	16.	-13.57	-10.70

The accompanying notes are an integral part of these consolidated financial statements.

II. Consolidated statements of financial position as of December 31, 2022, and 2021

ASSETS € thousand	Note	12/31/2022	12/31/2021
Non-current assets			
Intangible assets	17.	18,058	19,969
Right-of-use assets	19.	8,782	8,827
Property, plant and equipment	18.	22,309	16,768
Equity-accounted investees	20.	355	0
Other non-current financial assets	23.	449	411
Total Non-current assets		**49,953**	**45,975**
Inventories	21.	13,348	8,399
Trade receivables	22.	1,101	0
Other financial and non-financial assets	23.	5,681	5,512
Cash and cash equivalents	24.	10,238	48,143
Total current assets		**30,368**	**62,054**
TOTAL ASSETS		**80,321**	**108,029**

EQUITY AND LIABILITIES € thousand	Note	12/31/2022	12/31/2021
Equity			
Share capital	25.	5,668	5,243
Capital reserve	25.	189,269	172,622
Prepaid share reserve		0	0
Accumulated deficit		-166,549	-92,767
Accumulated other comprehensive income/loss	25.	-595	-184
TOTAL EQUITY		**27,793**	**84,914**
Non-current liabilities			
Provisions	26.	217	211
Non-current lease liabilities	31.	7,087	7,389
Other financial liabilities	29.	249	0
Deferred tax liability	15.	1,766	1,791
Total non-current liabilities		**9,319**	**9,391**
Current liabilities			
Provisions	26.	723	1,023
Current lease liabilities	32.	1,855	1,638
Trade and other payables	28.	9,238	8,396
Contract liabilities	27.	205	307
Other financial liabilities	29.	14,530	37
Non-financial liabilities	30.	16,658	2,323
Total current liabilities		**43,209**	**13,724**
Total liabilities		**52,528**	**23,115**
TOTAL EQUITY AND LIABILITIES		**80,321**	**108,029**

The accompanying notes are an integral part of these consolidated financial statements.

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III. Consolidated statements of changes in equity for the years ended December 31, 2022, and 2021

€ thousand	Share capital	Capital reserve	Prepaid share reserve	Accumu-lated deficit	Foreign currency translation differences	Total
Balance at January 1, 2021	**3,995**	**108,189**	**5,500**	**-47,290**	**314**	**70,708**
Issue of ordinary shares	1,248	70,794	-5,500			66,542
Share issue costs		-8,303				-8,303
Equity-settled share-based payments		1,942				1,942
Consolidated net loss				-45,477		-45,477
Other comprehensive loss					-498	-498
Total comprehensive loss for the period				**-45,477**	**-498**	**-45,975**
Balance at December 31, 2021	**5,243**	**172,622**	**0**	**-92,767**	**-184**	**84,914**
Balance at January 1, 2022	**5,243**	**172,622**	**0**	**-92,767**	**-184**	**84,914**
Issue of ordinary shares	425	10,776				11,201
Share issue costs		-262				-262
Equity-settled share-based payments		6,133				6,133
Consolidated net loss				-73,782		-73,782
Other comprehensive loss					-411	-411
Total comprehensive loss for the period				**-73,782**	**-411**	**-74,193**
Balance at December 31, 2022	**5,668**	**189,269**	**0**	**-166,549**	**-595**	**27,793**

The accompanying notes are an integral part of these consolidated financial statements.

IV. Consolidated statements of cash flows for the years ended December 31, 2022, and 2021

€ thousand	Note	2022	2021
Cash flows from operating activities			
Consolidated net loss for the period		**-73,782**	**-45,477**
Adjustments for:			
Income tax expense	15.	-24	1,791
Depreciation, amortization and impairment	12.	7,989	4,518
Loss from disposals of non-current assets		109	20
Interest and similar (income) and expenses, net	14.	2,545	2,148
Equity-settled share-based payments	11.	6,133	1,942
Share of profit of equity-accounted investees, net of tax	20.	45	0
Net foreign exchange gain / loss	14.	-2,574	-826
Changes in:			
Inventories	21.	-4,958	-3,167
Trade receivables	22.	-1,120	572
Other financial and non-financial assets	23.	-87	-4,209
Provisions	26.	-296	14
Trade and other payables	28.	2,235	2,320
Contract liabilities	27.	-144	-1,013
Other financial liabilities	29.	-22	0
Other non-financial liabilities	30.	13,736	1,941
Net cash used in operating activities		**-50,215**	**-39,426**
Cash flows from investing activities			
Acquisition of intangible assets	17.	-1,120	-3,346
Acquisition of property, plant and equipment	18.	-10,179	-7,612
Acquisition of equity-accounted investees	20.	-400	0
Net cash used in investing activities		**-11,699**	**-10,958**
Cash flows from financing activities			
Proceeds from issue of share capital	25.	11,201	66,542
Share issue costs	25.	-262	-8,303
Proceeds from loans and borrowings	31.	13,529	7,500
Transaction costs related to loans and borrowings	31.	-450	-450
Repayments of loans and borrowings	31.	-96	-7,500
Payments of lease liabilities	31.	-1,713	-1,056
Interest expenses paid	14.	-241	-1,931
Net cash from financing activities		**21,968**	**54,802**
Net increase/decrease in cash and cash equivalents	**24.**	**-39,946**	**4,418**
Cash and cash equivalents at January 1		48,143	43,198
Effects of movements in exchange rates on cash and cash equivalents		2,041	527
Cash and cash equivalents at December 31	**24.**	**10,238**	**48,143**

The accompanying notes are an integral part of these consolidated financial statements.

V. Notes to the Consolidated Financial Statements

1. General Information

Mynaric AG registered in Commercial Register at Munich Local Court (Reg. No. HRB 232763), has its registered office at Dornierstraße 19 in 82205 Gilching, Germany, and together with its consolidated subsidiaries is referred to herein as the "Company" or "Group". The objective of the Company is the development, manufacture and sale of laser communication network equipment, software, systems, and solutions, particularly for aerospace applications and related products. The Company engages primarily in the manufacturing and sale of products and projects, and in the provision of services related to laser technology, particularly for applications in aerospace, and satellite services.

2. Basis of Accounting

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union considering the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements have been authorized for issue by the Company's supervisory board on May 11, 2023.

The consolidated financial statements are presented in euro (€). Rounding differences may result in differences in amounts and percentages.

The consolidated statements of profit and loss were prepared using the nature of expense method.

In accordance with IAS 1 (Presentation of Financial Statements), a distinction is made in the statement of financial position between non-current and current assets and liabilities. Assets, provisions, and liabilities are classified as current if they are realizable or due within a period of one year.

The consolidated financial statements were prepared on a going concern basis; however, management has identified material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

For the year ended December 31, 2022, the Group recognized a net loss of €73.8 million while the Group's net current assets as of December 31, 2022, amount to negative €12.8 million. As of the date of the authorization of these consolidated financial statements the Group has €52.1 million in cash and cash equivalents.

Management has planned for significant increases in revenue and cash flows in fiscal years 2023 and 2024 as it ramps up its commercial production of CONDOR and HAWK terminals. While a significant portion of the revenue planned for fiscal 2023 is contractually committed, significant amounts of the revenue planned for fiscal 2024 are not contractually committed and are based on management's expectations regarding the outcome of major public project tenders and negotiations with potential or existing customers. Management is actively pursuing multiple commercial opportunities to sell its CONDOR and HAWK terminals to a strongly expanding customer base. To realize these planned increases in revenue, the Group will need to make additional investments in property, plant and equipment and development and refinement of its products which will require additional sources of liquidity and financing.

On April 25, 2023, the Group entered into debt and equity agreements with different investment companies. From those agreements the Group obtained additional debt in the amount $75.0 million and equity financing in the amount of €12.4 million. For further details refer to Note 36 (“Events after the reporting date”).

Based on the Group’s liquidity position on April 30, 2023, and management’s forecast of sources and uses of cash and cash equivalents, management believes that it has sufficient liquidity to finance its operations over at least the next twelve months from the date of authorization of these consolidated financial statements. However, there can be no assurance that the revenues and the corresponding customer payments will be generated in the amount as expected or at the time needed. A shortfall of revenues and of the corresponding customer payments compared to the budget could require additional external financing to meet its current operational planning. In such a situation, if the Group should be unable to obtain such additional financing or take other timely actions in response to such circumstances, for example significantly curtailing its current operational budget in 2024, it may be unable to continue as a going concern.

As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

3. Basis of Consolidation and Accounting Policies

3.1. Basis of Consolidation

The consolidated financial statements include the financial statements of Mynaric AG and its subsidiaries as of and for the year ended December 31, 2022, and were prepared using accounting policies applied consistently. Subsidiaries are the entities directly or indirectly controlled by Mynaric AG. An entity is controlled when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Any intragroup balances, income and expenses, unrealized gains and losses, and dividends from intragroup transactions are eliminated.

Set out below is the list of consolidated subsidiaries:

Company name	Shareholding in %	Consolidation
Mynaric Lasercom GmbH, Gilching	100.0	fully consolidated
Mynaric Systems GmbH, Gilching	100.0	fully consolidated
Mynaric USA, Inc., Los Angeles, USA	100.0	fully consolidated
Mynaric Government Solutions, Inc., Arlington, USA[1]	100.0	fully consolidated

[1] Mynaric Government Solutions, Inc. was established on April 28, 2022.

3.2. Accounting Policies

a) Transactions in Foreign Currency and Translation into Foreign Currency

The consolidated financial statements are prepared in euro, the functional currency of the Mynaric AG. The functional currency of each entity is determined by the primary economic environment in which these entities independently operate with respect to financial, economic and organizational considerations, and in which they predominantly generate and expend cash. The functional currency of each subsidiary corresponds to its respective local currency. Foreign currency transactions are remeasured into the respective functional currency of the respective entity at the exchange rates at the date such transactions occur.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Any resulting exchange rate differences are recorded in profit or loss. Non-monetary assets and liabilities in foreign currency are carried at historical exchange rates. To determine the exchange rate applied for initial recognition of the associated asset, expense or income when derecognizing a non-monetary asset or liability arising from prepaid considerations, the date of the transaction is the date of initial recognition of the non-monetary asset or liability.

The assets and liabilities of entities with a functional currency other than the Euro, are translated into Euro at the exchange rates at the reporting date. The income and expenses of such companies are translated into Euro at the average exchange rates of the reporting period. Currency translation differences are recognized in other comprehensive income and presented as a reserve for exchange rate differences in equity.

b) Revenue Recognition

In accordance with IFRS 15 (Revenue from Contracts with Customers), revenue is recognized when control over distinct goods or services are transferred to a customer, i.e., when the customer has the ability to direct the use of, and obtains substantially all of the remaining benefits from, the transferred goods or services. A prerequisite for this is that an arrangement exists with enforceable rights and obligations and that, among other things, it is probable that the entity will collect the consideration, considering the customer's credit standing.

Revenue is generally recognized with a customer at the level of the individual contract unless the prerequisites for combining contracts are met. The rules set out in IFRS 15 are applied consistently to similarly structured contracts and under similar circumstances. The Group generated revenue from the sale of goods and provision of services. In addition, revenue is recognized when the underlying contract is terminated due to customer default in accordance with IFRS 15.15 b).

If a contract involves multiple distinct goods or services, the transaction price is allocated across the performance obligations based on the relative stand-alone selling prices. If stand-alone selling prices are not directly observable, they are estimated using the amount that depicts the amount of consideration to which the Company expects to be entitled in the exchange for the goods or services promised to the customer. For each performance obligation, revenue is recognized either at a point in time or over time.

Revenue recognition over time is required if the customer simultaneously receives and consumes the benefits provided by the Company's performance, the Company creates or enhances an asset that is controlled by the customer, or the Company creates an asset without an alternative use to the Company and simultaneously has an enforceable right to payment for performance completed.

The Company generates revenue from:

- the sale of laser communication terminals
- the provision of services (training, support and other services)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/service	Nature and timing of satisfaction of performance obligation including significant payment terms	Revenue recognition policies
Sale of products	Customers obtain control of the laser terminals when the goods are delivered and accepted by the customer. Invoices are generated at that point in time. Invoices are usually payable within 10 to 60 days.	Revenue is recognized at point in time when the customer obtains control over the good. Generally, this happens, when the good is delivered at the place agreed in the customer agreement. Advances received are presented as contract liabilities.
Training, support and other services	The Company provides training, support and other services to its customers. The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs. Invoices for these services are either issued based on the agreed payment plan of the respective contract or after the completion of the services. Invoices are usually payable within 30 days.	Revenue is recognized over time based on the cost-to-cost method unless they are not relevant for satisfaction of performance obligation. Advances received are included in contract liabilities.

c) Government Grants

The Company has received various government grants related to innovation projects encouraged by governmental authorities which generally reimburse a specified amount or proportion of the costs related to such projects. These grants are received or receivable in exchange for past and / or future compliance with conditions specified in a plan or program under which they were given the respective governmental authority, and, accordingly, they are accounted for as government grants under IAS 20. Government grants related to capitalized assets are recognized on the date on which the conditions for receipt of the grant are met and are deducted from the carrying amount of the respective assets.

Government grants related to expenses incurred by the Group are recognized in profit or loss as other operating income on a systematic basis in the periods in which the expenses are recognized, unless the conditions for receiving the grant are met after the related expenses have been recognized. In this case, the grant is recognized when it becomes receivable.

d) Financial Result

The financial result includes the net income/expense from other financial expenses arising from liabilities and the result from remeasurement of foreign currency transactions in their respective functional currencies. Interest expenses are recognized in profit or loss, using the effective interest method.

Borrowing costs are expensed directly when incurred unless they are directly attributable to the acquisition, construction, or production of a qualifying asset and therefore form part of the cost of that asset.

e) Intangible Assets

Intangible assets are measured at cost upon initial recognition. In subsequent periods, intangible assets are recognized at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite useful lives are amortized on a straight-line basis. The estimated (remaining) useful lives as well as the amortization method are subject to annual reviews. If necessary, adjustments due to changes of the expected useful life or of the amortization method are accounted for prospectively as changes in accounting estimates. Intangible assets with indefinite useful lives or intangible assets not yet available for use are not amortized; however, they are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired based on the individual asset or on the level of the related cash-generating unit.

Intangible assets include purchased software and licenses as well as capitalized development expenses. Purchased software and licenses are amortized on a straight-line basis over their expected useful life of three to five years.

In accordance with IAS 38 (Intangible Assets), expenses incurred during the research and development phase must be accounted for separately. Research is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Such costs are expensed in the period incurred. Development is defined as the technical and commercial implementation of research findings.

In accordance with IAS 38, development costs must be capitalized if the criteria set out in IAS 38.57 are fulfilled. The Company starts to capitalize costs when management board approval is obtained. The approval is only provided when it is ensured that adequate technical, financial and other resources are available to complete the project and that the Company intends to complete and use the intangible asset. Furthermore, prior to approval, the development project leader provides the management board with an overview of the future economic benefits based on external market studies and internal analysis, as well as the documentation of technical feasibility. The Company has an R&D controlling system in place which enables management to determine expenditures attributable to specific technologies during their development.

The Company capitalizes costs for the development of a technology until the time that development of such technology is completed. The capitalized development costs are amortized on a straight-line basis over the economic useful life of 15 years based on the expected useful life of such technology. Amortization of capitalized development costs commences upon completion of the development project (technology). Amortization expense resulting from capitalized development costs is reported in the statement of profit or loss under depreciation and amortization.

f) Property, Plant and Equipment

Property, plant, and equipment are recognized at cost, and also includes capitalized borrowing costs, less any accumulated depreciation and impairment losses, if any. Depreciation is recognized on a straight-line basis. The depreciation period is based on the expected useful life of each respective asset. The underlying useful life is three years for computer hardware, and ranges between three and 14 years for machinery, furniture, fixtures, and office equipment, as well as leasehold improvements.

The useful lives, residual values, and depreciation methods for property, plant, and equipment are reviewed periodically and adjusted prospectively, if necessary, to ensure that the depreciation method and depreciation period reflect the expected economic benefit of the assets.

g) Interests in equity-accounted investees

The Group’s interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

h) Impairment of Non-current Non-financial Assets

As of each reporting date, management reviews whether any indication exists that non-financial assets may be subject to impairment losses or reversals of impairment losses. If such indications exist, management estimates the recoverable amount of the non-financial asset. The recoverable amount is determined for each individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (cash-generating units).

Intangible assets not yet available for use are tested for impairment at least once per year.

If the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, an impairment loss is recognized in the amount of the difference. The recoverable amount is the higher of fair value less costs of disposal (FVLCOD) and value in use.

The FVLCOD and the value in use is based on the estimated future cash flows of the cash-generating unit, discounted to their present value using a risk-adjusted pre-tax interest rate. The future cash flows are determined based on the long-term planning approved by the management as applicable as of the date when the impairment test is conducted.

As of each reporting date, the Company reviews whether an impairment loss recognized in previous periods no longer exists or may have decreased. In these cases, the Company recognizes a partial or full reversal of the impairment loss, with the carrying amount being increased to the recoverable amount. The increased carrying amount, however, may not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

i) Inventories

Inventories are recognized at the lower of cost or net realizable value. The cost (including costs of purchase and manufacturing costs) is determined based on the moving average price of the item.

Apart from directly attributable unit costs, production costs include appropriate portions of production overheads based on normal operating capacity. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Write-downs to the lower net realizable values primarily consider inventory risks resulting from turnover period and reduced recoverability. Write-downs are reversed if the reasons that resulted in the impairment of inventories no longer exist.

j) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. This includes both primary financial instruments (such as trade receivables and payables as well as other receivables and payables) and derivative financial instruments such as foreign exchange contracts.

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

j) i. Financial Assets

On initial recognition, a financial asset is classified as measured at:

- AC – amortised cost
- FVOCI – Fair value through other comprehensive income
- FVTPL – Fair value through profit or loss

Currently, no financial assets are classified as FVOCI. The classification is made on initial recognition and the financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets held to collect contractual cash flows and whose contractual cash flows solely represent payment of principal and interest are measured at amortized cost. Interest income from these financial assets is reported under financial income applying the effective interest method. Gains or losses from derecognition are directly recorded in the consolidated statement of comprehensive income and, together with foreign exchange gains and losses, recorded under the result from foreign currency translation. Trade receivables, cash, and other financial assets are classified as measured at amortized costs.

Derivative Financial Instruments

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

Impairment of Financial Assets

The Company holds the following instruments as financial assets that are subject to the credit loss model in accordance with IFRS 9:

- Trade receivables
- Other financial assets
- Cash and cash equivalents

The Company also recognizes loss allowances for expected credit losses (“ECL”) on lease receivables, which are disclosed as part of trade and other receivables.

The general impairment methodology follows a three-stage approach based on the change in credit quality of financial assets since initial recognition (general approach). At initial recognition, debt instruments are assumed to have a low credit risk, for which a loss allowance for 12-months ECL is recognized (Stage 1). When there has been a significant increase in credit risk, the loss allowance is measured using lifetime ECL (Stage 2). A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. If there is objective evidence of impairment (Stage 3), the Company also accounts for lifetime ECL and recognizes an impairment. Mynaric considers that there is objective evidence of impairment if any of the following indicators are present: significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization or default or delinquency in payments.

The Company applies this general approach for cash and cash equivalents as well as other assets. These assets are considered to have a low credit risk when the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents are only placed at banks with credit ratings of investment grade or higher. Rental deposits are trust assets that, in case of a default of the counterparty, are separated from insolvency estate and are paid back primarily. Considering that, the impairment for these assets is not material.

For trade and other receivables, Mynaric applies the simplified approach under which lifetime ECL is recognized without monitoring the change in customers' credit risk.

Impairment losses, including reversals of impairment losses or impairment gains, are presented as other income, net in the consolidated statement of profit and comprehensive income.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

j) ii. Financial Liabilities

Financial liabilities are measured at fair value upon initial recognition, less any directly attributable transaction costs in the case of loans and liabilities.

The Company's financial liabilities comprise trade and other payables as well as liabilities to banks, including overdraft credits.

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

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss comprise financial liabilities held for trading as well as other financial liabilities classified upon initial recognition as measured at fair value through profit or loss.

A financial liability is classified as held for trading if it is acquired for the purpose of repurchasing it in the near term.

This category also comprises any concluded derivative financial instruments that are not designated as hedging instruments as part of hedging relationships in accordance with IFRS 9. Embedded derivatives that are separated from the host contract are also classified as held for trading, except for derivatives that have been designated as hedging instruments and are determined to be effective as such.

Gains or losses on financial liabilities held for trading are recognized in profit or loss.

The classification of financial liabilities as measured at fair value through profit or loss is made upon initial recognition if the criteria pursuant to IFRS 9 are met. The Company does not have any financial liabilities that are measured at fair value through profit or loss.

Financial liabilities measured at amortized cost ("FLAC")

This category comprises trade payables, other liabilities, and loans. Subsequent to initial recognition, interest-bearing loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and otherwise through the amortization process based on the effective interest method.

Financial liabilities are derecognized when the contractual obligations are discharged, canceled, or expire. Financial liabilities are classified as non-current liabilities unless settlement of the financial liabilities is due within 12 months after the end of the reporting period, in which case they are classified as current.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

k) Taxes

Income taxes are comprised of current and deferred taxes. Current and deferred taxes are recognized in profit or loss to the extent that they do not relate to items recorded in equity or other comprehensive income.

Current taxes

The expected income tax liabilities or receivables arising as a result of the taxable profit in each applicable tax jurisdiction, taking into account applicable tax rules and regulations, are recognized as current taxes. The tax rates applicable as of the reporting date are used for measurement. All necessary adjustments to tax liabilities or tax assets from prior periods are also considered.

Deferred taxes

In accordance with IAS 12, temporary differences between the tax base of assets and liabilities on the one hand and their carrying amount under IFRS, on the other hand, result in the recognition of deferred taxes. Deferred tax assets on deductible temporary differences are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. The same applies to deferred tax assets on tax loss carryforwards. No deferred taxes have been recorded for temporary differences associated with investments in subsidiaries as the Group can determine the timing of the reversal of such temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred income taxes for 2022 were determined using the applicable tax rates. The Company applies a tax rate of 27.725% to calculate deferred taxes for Mynaric AG and its German subsidiaries. This combined income tax rate comprises 15% corporation tax plus 5.5% solidarity surcharge thereon as well as 11.9% trade tax.

Deferred tax assets and liabilities are offset if the deferred taxes refer to income taxes levied by the same taxation authority and if the current taxes are offset against each other.

Changes in deferred tax assets and liabilities are generally recognized through profit and loss, except for changes recognized in other comprehensive income or directly in equity.

l) Share issue costs

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from the capital reserve.

m) Equity-settled share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For equity-settled share-based payments awards with non-vesting conditions, the grant-date fair value of the equity-settled share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

n) Provisions

Provisions are recognized when either a legal or constructive obligation to a third party as a result of a past event exists as of the reporting date, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of this obligation can be made. If the Company expects at least a partial reimbursement for a recognized provision (e.g., in the case of an insurance policy), the reimbursement is recognized as a separate asset when such reimbursement is virtually certain. The expense arising from the recognition of the provision is presented in the statement of profit or loss net of reimbursement. If the obligations fall due after more than one year and payment can be reliably estimated in terms of both amount and timing, the non-current portion of the obligation is measured at the respective present value in case the corresponding time value of money is material. The present value to be recognized is determined based on market interest rates that reflect the risk and the time period until the obligation is settled.

For long-term provisions with an interest portion the increase in the amount of a provision reflecting the time value of money is recognized as interest expense in the financial result.

Provisions are reviewed as of each reporting date and adjusted to the current best estimate.

o) Provisions for Onerous Contracts

Present obligations arising in connection with onerous contracts are recognized as provisions. The existence of an onerous contract is presumed when the Group is party to a contract that is expected to be settled by incur-ring costs that exceed the economic benefits available under the contract.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the full cost necessary to fulfil the obligation under the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

p) Leases

At contract inception, the Company assesses whether the contract is or contains a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

p) i. The Company as lessee

The Company presents all leases on the face of the statement of financial position with the exception of short-term leases and leases for low-value assets. It recognizes liabilities for lease payments to be made and right-of-use assets for the right to use the underlying asset.

Right-of-use assets

The Company recognizes right-of-use assets as of the commencement date (i.e., the date on which the underlying leased asset is available for use). Right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of the lease liabilities. The cost of the right-of-use assets correspond to the associated lease liabilities, plus any restoration costs, plus any initial direct costs as well as the lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and expected useful life of the leased asset, as follows:

- Real estate – 3 to 10 years
- Other leases – 3 to 5 years

If the group is certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life, as follows:

- Other leases – 10 to 15 years

If ownership of the leased asset is transferred to the Company at the end of the lease term or the exercise of a purchase option is considered in the determination of the cost, depreciation is determined based on the expected useful life of the leased asset. In addition, right-of-use assets are subject to impairment testing in the same manner as property, plant and equipment described in note 3.2 h).

Lease liabilities

On the commencement date, the Company recognizes the lease liability at the present value of the lease payments to be made over the lease term. The lease payments comprise fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable by the lessee under residual value guarantees. Lease payments also include the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, as well as payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. Variable lease payments that do not depend on an index or rate are expensed in the period in which the event or condition triggering such payment occurs. The Company determines the lease term based on the non-cancelable period of a lease and any periods covered by an option to extend the lease if the lessee is reasonably certain to exercise such option.

The Company uses the interest rate implicit in the lease, if known to the Company, for the calculation of the present value of the lease payments. In the case of leases for which this interest rate is unknown, the Company applies its incremental borrowing rate as of the commencement date. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. After the commencement date, the lease payment is split into a principal and interest portion with the liability being reduced for the principal portion and the interest is recorded in the consolidated statement of profit and loss and other comprehensive income. In addition, the carrying amount of the lease liabilities is remeasured to reflect any modifications to the lease, changes in the lease term, changes in the lease payments (e.g., changes of future lease payments following a change in the index or rate used to determine these payments), or changes in the assessment of an option to purchase the underlying asset.

Short-term leases and leases for low-value assets

The Company applies the practical expedient for its short-term leases for real estate and other operating equipment (i.e., leases with a term of not more than 12 months from the commencement date and that do not include a purchase option). With respect to leases for office equipment deemed as being of low value, the Company also applies the exemption provided for leases for low-value assets. Lease payments for short-term leases and for leases for low-value assets are recognized as an expense on a straight-line basis over the lease term.

p) ii. The Company as a lessor

At inception or on modification of a contract with customer that contains a lease component, the Company allocates the consideration in the contract to each lease component based on their relative standalone prices.

The Company recognizes payments received related to lease under operating leases as income on a straight-line basis over the lease term as part of other operating income.

3.3. Changes in accounting policies

a) Newly issued financial reporting standards and interpretations

The International Accounting Standards Board (IASB) and the IFRS Interpretation Committee (IC) amended the following standards and interpretations that must be applied for the fiscal year 2022 from January 1, 2022:

- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018–2020 (IFRS 9, IFRS 16, IFRS 1, IAS 41)

The Group has adopted all the foregoing amendments in 2022, none of which had a significant impact on the consolidated financial statements.

b) Newly issued financial reporting rules that have not yet been applied

The IASB has issued standards, interpretations, and amendments to existing standards whose application is not yet required, or which must be applied only in subsequent reporting periods, respectively, and which have not been applied early by the Company.

	Date of application
IFRS 17 Insurance Contracts	Jan. 1, 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	Jan. 1, 2024
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	Jan. 1, 2023
Definition of Accounting Estimates – Amendments to IAS 8	Jan. 1, 2023
Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)	Jan. 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	Jan. 1, 2023

The Company is currently analyzing the effects of the new or revised financial reporting standards listed above but does not expect any material effects resulting from application of the revised standards to the Company.

4. Material judgments, estimates and assumptions

The preparation of the consolidated financial statements requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported for assets, liabilities, income, and expenses. The most significant of these are described below.

Actual results may differ from these estimates.

Estimates and underlying assumptions are continuously reviewed. Revisions of estimates are accounted for on a prospective basis.

4.1. Management Judgments

Information on management judgments made in the application of accounting policies that most significantly affect the amounts recognized in the financial statements are set out in the following disclosures:

a) Leases

The Company determines the lease term based on the non-cancelable period, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option. The Company has entered into several leases that include extension options and makes judgments when assessing whether it is reasonably certain that the option to extend or terminate the lease will or will not be exercised. All relevant factors representing an economic incentive to exercise the extension option are taken into consideration. No extension options have been included in the lease term of significant facilities being leased given the current managements' expectation of the Company's future use. Had lease extension options been included, the amount of right of use assets and lease liabilities recorded on the statement of financial position would have been significantly higher.

Please refer to Note 19. Right-of-use Assets for details on the potential future lease payments for periods after the exercise date of the extension options that are not taken into consideration in the lease term.

b) Litigation risks and governmental proceedings

Legal proceedings and government investigations often involve complex legal issues and are subject to substantial uncertainties. Accordingly, management exercises material judgment in determining the litigation risks, based on the assessment from internal and external lawyers.

c) Revenue recognition

The Group has recognized revenue according to IFRS 15.15 b) for prepayments, which related to contracts terminated for default. These payments are assessed as non-refundable. However, there is a risk that the payments might need to be refunded.

4.2. Estimates and Assumptions

Information about assumptions and estimation uncertainty as of December 31, 2022, that have a significant risk of resulting in a material adjustment to the carrying amounts of the reported assets and liabilities during the next fiscal year are discussed below:

a) Recognition of deferred tax assets

The calculation of deferred taxes is based on the tax rates of the individual countries applicable as of the date when the assets are realized, or the liability is settled (using tax rates enacted or announced as of the reporting date) as well as on the assessment of the future taxable income of the companies.

Determining the amount of deferred tax assets is subject to estimation uncertainties as regards the availability of future taxable profit against which deductible temporary differences and the tax loss carryforwards may be utilized, which may also result from or be related to future tax planning strategies.

b) Useful life of capitalized development costs

The expected useful life of 15 years for the capitalized Air and Space technologies based on an internal assumption of the Group. The useful life is determined on the basis of the length of the expected marketability of the products, customer requirements regarding the ability to deliver the corresponding products, which is up to 11 years for existing customer contracts, and the relatively high market entry barriers for competitors. These assumptions are assessed annually.

c) Impairment of capitalized development costs

Capitalized development costs are assessed at least annually, for indications of impairment. The impairment tests require estimates to be made in order to determine the recoverable amount of a cash-generating unit. Assumptions must be made regarding future cash inflows and outflows both in the planning period as well as for the periods thereafter. In particular, the future revenues, costs and expenditures are based on the long-term corporate planning. Also, market- and company-specific discount rates, expected growth rates and exchange rates are estimated. If the actual amounts deviate from the estimated amount an impairment might be needed in future periods. Based on the impairment tests performed in 2022, the recoverable amounts significantly exceed the net assets of the tested cash-generating units. Refer to Note 17 for further information on the assumptions used.

d) Inventories

Write-downs of inventories are measured based on the inventory days on hand and on the estimated net realizable value (expected proceeds less estimated costs incurred until completion and the estimated selling expenses necessary to make the sale). The net realizable value is estimated based on the management's decision and expectation regarding the pricing and the future marketability of the different CONDOR and HAWK product variants. Future utilizations, actual proceeds, and costs still to be incurred may deviate from anticipated amounts, which might lead to additional write-downs in future periods.

e) Share-based payment

The determination of the fair value of the share-based payments is dependent on factual fluctuations of personnel in the future, which might vary from the expected ones used to estimate the amounts. The deviation from the estimated fluctuation would lead to an adjustment of the amount recognized in the capital reserve. Please refer to Note 11. Share-based payments for more information.

5. Segment reporting and information on geographical areas

In accordance with IFRS 8 (Operating Segments), the Company's operating segments are based on the management approach. Accordingly, segments must be classified and disclosures for these segments must be made based on the criteria used internally by the chief operating decision maker (CODM) for the allocation of resources and the evaluation of performance by the components of the entity. The CODM is the Management Board (refer to Note 36) collectively which allocates resources and evaluates segment performance based on the Management Board reports submitted to it. The segment reporting below was prepared in accordance with this definition. The CODM uses Operating profit/loss as the primary profitability measure to evaluate performance of the Company's operating segments.

The Air segment includes the Company's HAWK AIR terminals and related services. The Space segment includes the Company's CONDOR terminals and related services.

€ thousand	For the year ended December 31, 2022			
	Air	Space	Not allocated	Group
Revenue	1,384	3,038	0	4,422
Operating profit/loss	**-20,929**	**-46,773**	**-6,088[2]**	**-73,790**
Interest and similar expenses				-2,545
Net foreign currency gain / (loss)				2,574
Net finance income				**29**
Share of profit of equity-accounted investees, net of tax				-45
Profit/loss before tax				**-73,806**
Income tax benefit				24
Consolidated net profit/loss				**-73,782**

[2] Including costs for the D&O insurance related the stock listing (€4,715 thousand), the audit of the financial statements (€951 thousand) as well as Supervisory Board remuneration (€422 thousand) which are not directly incremental.

€ thousand	For the year ended December 31, 2021			
	Air	Space	Not allocated	Group
Revenue	0	2,355	0	2,355
Operating profit/loss	**-10,793**	**-30,082**	**-1,4893**	**-42,364**
Interest and similar expenses				-2,148
Net foreign currency gain / (loss)				826
Net finance costs				**-1,322**
Profit/loss before tax				**-43,686**
Income tax expense				-1,791
Consolidated net profit/loss				**-45,477**

[3] Including IPO-related costs (€682 thousand), costs for audit of the financial statements (€538 thousand) and Supervisory Board remuneration (€269 thousand) which are not directly incremental.

For the year ended December 31, 2022, expenses related to the write offs of inventories have been recognized for the Segment Space in the amount of €5,982 thousand (2021: €2,501 thousand). For the year ended December 31, 2022, expenses related to the write offs of inventories have been recognized for the Segment Air in the amount of €1,500 thousand (2021: €0 thousand).

For the year ended December 31, 2022, an impairment was recognized in the amount of €1,531 thousand (2021: €0) related to capitalized development costs in the segment Space (refer to Note 17).

With respect to the information on geographical regions, revenue is allocated to the countries based on the country of destination of the respective customer; non-current assets are allocated to the location of the respective asset.

Revenue can be broken down by country as follows:

€ thousand	For the years ended	
	December 31, 2022	December 31, 2021
USA	4,422	2,355
Total	**4,422**	**2,355**

Non-current assets can be broken down by country as follows:

€ thousand	December 31, 2022	December 31, 2021
Germany		
Intangible assets	18,058	19,969
Property, plant, and equipment	18,589	14,490
Right-of-use assets	6,447	6,053
Germany, total	**43,094**	**40,512**
USA		
Property, plant, and equipment	3,720	2,278
Right-of-use assets	2,335	2,774
USA, total	**6,055**	**5,052**
Total	**49,149**	**45,564**

6. Revenue

Revenues from contracts with customers refer to the delivery of goods or the provision of services. They are recognized both at a point in time and, partially, over time. The deliveries comprise the sales of HAWK and CONDOR terminals. Services mainly consist of the provision of development and training services relating to the laser terminals manufactured by the Company.

Revenue is broken down as follows:

€ thousand	For the years ended	
	December 31, 2022	December 31, 2021
Products	1,783	554
Services	0	1,801
Operating lease income	50	0
Other	2,589	0
Total	**4,422**	**2,355**

One customer breached two contracts and therefore, the Group terminated these contracts. The Group has received non-refundable prepayments on these contracts during the years ended December 31, 2021, and 2022 in the amount of €2,589 thousand. This amount was recognized as revenue according to IFRS 15.15 b) in the year ended December 31, 2022.

Revenue recognized from contract liabilities which existed as of December 31, 2021, amounts to €211 thousand in fiscal 2022 (2021: €933 thousand).

The Company makes use of the exemption according to IFRS 15.122 regarding the disclosure of the expected revenues for outstanding performance obligations as of December 31, 2022, as all revenues will be recognized within one year.

7. Changes in Inventories of Finished Goods and Work in Progress

The increase in inventories of finished goods and work in progress primarily results from the SPACE terminals, and HAWK terminals currently in the production phase. Changes in inventories are as follows:

€ thousand	For the years ended December 31, 2022	For the years ended December 31, 2021
Increase in inventories of work in progress	2,100	414
Increase in inventories of finished goods	542	616
Write-downs	-1,882	-462
Total	**760**	**568**

The write-downs refer to CONDOR Mk2 and Mk1 terminals that were written down to their net realizable value.

8. Own Work Capitalized

Own work capitalized consists of costs that are used to construct property, plant and equipment or develop intangible assets. The following table shows the breakdown of own work capitalized:

€ thousand	For the years ended December 31, 2022	For the years ended December 31, 2021
Development costs	968	2,845
Property, plant and equipment	599	1,770
Total	**1,567**	**4,615**

9. Other operating income

The following table shows the breakdown of the other operating income:

€ thousand	For the years ended December 31, 2022	For the years ended December 31, 2021
Income from grants	2,091	279
Income from the reversal of liabilities	0	90
Income from related parties	0	27
Other	285	39
Total	**2,376**	**435**

10. Cost of materials

The following table shows the breakdown of the cost of materials:

€ thousand	For the years ended December 31, 2022	For the years ended December 31, 2021
Raw materials and consumables used	13,007	7,736
Costs for services purchased	2,427	2,888
Total	**15,434**	**10,624**

Included in the cost of materials are write downs for the year ended December 31, 2022, in the amount of €5,601 thousand (2021: €2,039 thousand).

The write-downs for the year ended December 31, 2022, refer to materials relevant for production of CONDOR Mk1, CONDOR Mk2 and CONDOR MEO. The write-downs for the year ended December 31, 2021, refer to materials relevant for production of CONDOR Mk1 and CONDOR Mk2. The corresponding raw materials were written down to their recoverable amount.

11. Personnel Costs

The following table shows the breakdown of the personnel costs:

€ thousand	For the years ended	
	December 31, 2022	December 31, 2021
Wages and salaries	26,318	18,185
Share based payments	6,133	1,942
Social security contributions, pensions, and other employee benefits	4,959	3,238
Total	**37,410**	**23,365**

Under defined contribution pension plans, the Company paid contributions to governmental pension schemes for the year ended December 31, 2022, in the amount of €1,799 thousand (2021: €1,301 thousand).

11.1. Equity-settled share-based payment under Stock Option Plans

2019 Stock Option Plan

In fiscal year 2019, Mynaric granted stock options to selected employees under the 2019 Stock Option Plan. A stock option entitles the holder to the right to purchase Company shares at the relevant exercise price. The vesting period for the exercise of the options is four years, starting on the grant date of such options. The options may be exercised within a period of three years after the expiration of the vesting period provided that the performance target has been achieved. The performance target is linked to the absolute price performance of the Company's shares during the vesting period. The stock options can be exercised only if the volume-weighted six-month average price of the Company's shares in Xetra trading (or a comparable successor system) at the Frankfurt Stock Exchange exceeds the exercise price by 20% or more upon the expiry of the vesting period. Under the 2019 Stock Option Plan (Tranche 2019 I), in addition to options granted to new beneficiaries, options were also granted in replacement for waiving any claims from the options granted in 2018 from the 2017 Stock Option Plan. The incremental fair value of the options granted in replacement for waiving any claims from the 2017 option plan amounts to EUR 5.93 per option and was determined using a Monte Carlo simulation.

2020 Stock Option Plan

In fiscal year 2020, Mynaric granted stock options to selected employees under the 2020 Stock Option Plan. A stock option entitles the holder to the right to purchase Company shares at the relevant exercise price. The vesting period for the exercise of the options is four years, starting on the grant date of such options. The options may be exercised within a period of three years after the expiration of the vesting period provided that the performance target has been achieved. The performance target is linked to the absolute price performance of the Company's shares during the vesting period. The stock options can be exercised only if the volume-weighted six-month average price of the Company's shares in Xetra trading (or a comparable successor system) at the Frankfurt Stock Exchange exceeds the exercise price by 20% or more upon the expiry of the lock-up period.

Granting of stock options to Mr. Altan

In fiscal year 2019, a shareholder of Mynaric AG granted Mr. Altan, the Chief Executive Officer and a member of the management board of Mynaric AG, the right to acquire 56,700 shares of the Company from such shareholder at a price of €25.00 per share. The exercise of Mr. Altan's option right was subject to a number of conditions, including Mr. Altan's continued employment until December 31, 2019, with Mynaric AG and the successful exercise of option rights pursuant to separate option agreement under which the granting shareholder was an option holder. All conditions under the option agreement with Mr. Altan were fulfilled in December 2020. Please refer to Note 32.1 Related party transactions for more information.

2021 Stock Option Plan

In fiscal year 2021, Mynaric granted stock options to selected employees under the 2021 Stock Option Plan. A stock option entitles the holder to the right to purchase Company shares at the relevant exercise price. The vesting period for the exercise of the options is four years, starting on the grant date of such options. The options may be exercised within a period of three years after the expiration of the vesting period provided that the performance target has been achieved. The performance target is linked to the absolute price performance of the Company's shares during the vesting period. The stock options can be exercised only if the volume-weighted six-month average price of the Company's shares in Xetra trading (or a comparable successor system) at the Frankfurt Stock Exchange exceeds the exercise price by 20% or more upon the expiry of the vesting period.

2022 Stock Option Plan

During the year ended December 31, 2022, the Company granted 108,000 stock options to selected employees under the 2022 Stock Option Plan. A stock option entitles the holder to the right to purchase Company shares at the relevant exercise price. The vesting period for the exercise of the options is four years, starting on the grant date of such options. The options may be exercised within a period of five years after the expiration of the vesting period provided that the performance target has been achieved. The first performance target is linked to the absolute price performance of the Company's shares during the vesting period. The second performance target relates to the achievement of ESG (Environment, Social, Governance) targets (Diversity target and employee engagement target, both measured on a company level). The share price performance target is weighted at 80% and the ESG performance target is weighted at 20%. The target achievement of both performance targets is between 0% and 100% which means that the number of exercisable options is adjusted based on the corresponding target achievement. Furthermore, the stock options can only be exercised to the extent that the maximum compensation of the respective beneficiary for the corresponding period is not exceeded which means that in case the maximum compensation would be exceeded, the number of exercisable options is reduced. A total of 40,000 options from the 2021 I tranche were waived by the beneficiary, which was compensated by granting of 33,000 new stock options from the 2022 I tranche. The waiver and grant of new stock options was treated as replacement according to IFRS 2 and therefore as a modification within the meaning of IFRS 2. The fair value of the original grant and the new grant were both measured at the modification date and the incremental fair value (€ 58.378) of the new grant is recorded in P&L.

The stock option grants under the 2017, 2019, 2020, 2021, 2022 Stock Option Plans, and the stock options granted to Mr. Altan by selected shareholders are classified and measured as equity-settled share-based payments in accordance with IFRS 2. Accordingly, the fair value is determined only once on the grant date. The determined expense must then be amortized over the vesting period.

The following table provides an overview of the outstanding, granted, forfeited, exercised, and expired options. The stock options granted in replacement for waiving claims from the stock options under the 2017 Stock Option Plan were accounted for in accordance with the IFRS 2 rules applicable for replacement plans.

The options changed as follows in fiscal year 2022 (Tranches 2019):

	Tranche 2019 I	Tranche 2019 II	Tranche 2019 III	Tranche 2019 IV	Tranche 2019 V	Tranche 2019 VI	Tranche 2019 VII	Tranche 2019 VIII	Tranche 2019 IX	Tranche 2019 X
Options outstanding as of Jan. 1, 2022	93,800	20,000	12,500	53,000	26,600	7,000	6,000	12,350	5,000	-
Options granted	-	-	-	-	-	-	-	-	-	2,500
Options forfeited	300	-	5,100	-	8,600	1,000	-	1,500	-	-
Options exercised	-	-	-	-	-	-	-	-	-	-
Options expired	-	-	-	-	-	-	-	-	-	-
Options outstanding as of Dec. 31, 2022	93,500	20,000	7,400	53,000	18,000	6,000	6,000	10,850	5,000	2,500
Options exercisable as of Dec. 31, 2022	-	-	-	-	-	-	-	-	-	-

The options changed as follows in fiscal year 2022 (Tranches 2020 - 2022):

	Tranche 2020 I	Tranche 2021 I	Tranche 2022 I	Tranche Altan
Options outstanding as of Jan. 1, 2022	14,000	100,000	-	56,700
Options granted	-	-	108,000	-
Options forfeited	-	-	-	-
Options exercised	-	-	-	-
Options expired	-	40,000[4]	-	56,700
Options outstanding as of Dec. 31, 2022	14,000	60,000	108,000	-
Options exercisable as of Dec. 31, 2022	-	-	-	-

[4] Note: A total of 40,000 options from the 2021 I tranche were waived, which was compensated for by the granting of 33,000 new options from the 2022 I tranche.

The options changed as follows in fiscal year 2021 (Tranches 2019):

	Tranche 2019 I	Tranche 2019 II	Tranche 2019 III	Tranche 2019 IV	Tranche 2019 V	Tranche 2019 VI	Tranche 2019 VII	Tranche 2019 VIII	Tranche 2019 IX
Options outstanding as of Jan. 1, 2021	107,100	20,000	14,550	53,000	26,600	13,500	-	-	-
Options granted	-	-	-	-	-	-	6,000	14,350	5,000
Options forfeited	13,300	-	2,050	-	-	6,500	-	2,000	-
Options exercised	-	-	-	-	-	-	-	-	-
Options expired	-	-	-	-	-	-	-	-	-
Options outstanding as of Dec. 31, 2021	93,800	20,000	12,500	53,000	26,600	7,000	6,000	12,350	5,000
Options exercisable as of Dec. 31, 2021	-	-	-	-	-	-	-	-	-

The options changed as follows in fiscal year 2021 (Tranches 2020 - 2021):

	Tranche 2020 I	Tranche 2021 I	Tranche Mr. Altan
Options outstanding as of Jan. 1, 2021	14,000	-	56,700
Options granted	-	100,000	-
Options forfeited	-	-	-
Options exercised	-	-	-
Options expired	-	-	-
Options outstanding as of Dec. 31, 2021	14,000	100,000	56,700
Options exercisable as of Dec. 31, 2021	-	-	56,700

No options were exercised during the year ended December 31, 2022. The tables below show the contractual terms of the respective tranches outstanding as of December 31, 2022.

Measurement model and inputs

The measurement of the existing stock option plans was based on the Monte Carlo Simulation model or the Binomial model, considering the terms and conditions for the options.

The tables below show the inputs used for the model as of December 31, 2022 (Tranches 2019):

	Tranche 2019 I	Tranche 2019 II	Tranche 2019 III	Tranche 2019 IV	Tranche 2019 V	Tranche 2019 VI	Tranche 2019 VII	Tranche 2019 VIII	Tranche 2019 IX	Tranche 2019 X
Exercise price (in €)	42.46	41.03	46.50	47.25	61.27	66.49	68.97	71.15	70.31	37.31
Term in years	7	7	7	7	7	7	7	7	7	7
Remaining term in years	3.75	4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.50
Share price as of the valuation date (in €)	38.00	38.50	35.20	51.00	75.46	73.20	64.20	80.20	64.80	27.55
Expected dividend yield (in %)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expected volatility (in %)	45.91	45.66	48.32	48.45	36.39	36.63	36.67	36.90	37.56	38.46
Risk-free interest rate (in %)	-0.74	-0.39	-0.62	-0.60	-0.65	-0.69	-0.53	-0.40	-0.40	1.12
Option value (in €)	11.53	12.42	9.43	19.55	26.14	23.25	14.18	25.17	16.28	5.72

The tables below show the inputs used for the model as of December 31, 2022 (Tranches 2020 - 2022):

	Tranche 2020 I	Tranche 2021 I	Tranche 2022 I	Tranche Altan
Exercise price (in €)	61.27	71.15	32.90	25.00
Term in years	7	7	9	1.74
Remaining term in years	4.75	5.50	8.75	0
Share price as of the valuation date (in €)	75.46	80.20	19.76	43.39
Expected dividend yield (in %)	0.00	0.00	0.00	0.00
Expected volatility (in %)	36.39	36.90	35.31	51.31
Risk-free interest rate (in %)	-0.65	-0.40	2.02	-0.82
Option value (in €)	26.14	25.17	1.97 – 2.01	20.40

The table below shows the inputs used for the model as of December 31, 2021 (Tranches 2019):

	Tranche 2019 I	Tranche 2019 II	Tranche 2019 III	Tranche 2019 IV	Tranche 2019 V	Tranche 2019 VI	Tranche 2019 VII	Tranche 2019 VIII	Tranche 2019 IX
Exercise price (in €)	42.46	41.03	46.50	47.25	61.27	66.49	68.97	71.15	70.31
Term in years	7	7	7	7	7	7	7	7	7
Remaining term in years	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.5	6.75
Share price as of the valuation date (in €)	38.00	38.50	35.20	51.00	75.46	73.20	64.20	80.20	64.80
Expected dividend yield (in %)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expected volatility (in %)	45.91	45.66	48.32	48.45	36.39	36.63	36.67	36.90	37.56
Risk-free interest rate (in %)	-0.74	-0.39	-0.62	-0.60	-0.65	-0.69	-0.53	-0.40	-0.40
Option value (in €)	11.53	12.42	9.43	19.55	26.14	23.25	14.18	25.17	16.28

The table below shows the inputs used for the model as of December 31, 2021 (Tranches 2020 - 2021):

	Tranche 2020 I	Tranche 2021 I	Tranche Altan
Exercise price (in €)	61.27	71.15	25.00
Term in years	7	7	1.74
Remaining term in years	5.75	6.5	0.35
Share price as of the valuation date (in €)	75.46	80.20	43.39
Expected dividend yield (in %)	0.00	0.00	0.00
Expected volatility (in %)	36.39	36.90	51.31
Risk-free interest rate (in %)	-0.65	-0.40	-0.82
Option value (in €)	26.14	25.17	20.40

The term of the options as well as the possibility of early exercise were considered in the option model. Early exercise is assumed when the share price exceeds the exercise price by a factor of 1.2. The implied rate of return of German government bonds with matching maturities was used for determining the risk-free interest rate. Expected volatility has been based on an evaluation of the historical volatility for matching maturities of the Company´s peer group. The expected volatility considered assumes that it is possible to derive future trends from historic volatility, and thus the actual volatility may deviate from the assumptions made.

The total expense for equity-settled share-based payments recognized in the year ended December 31, 2022, under the Stock Option Plans is €2,300 thousand (2021: €513 thousand). The equity-settled share-based payment recognized in the capital reserve amount to €5,116 thousand as of December 31, 2022 (2021: €2,815 thousand).

11.2. Equity-settled share-based payment under Restricted Stock Unit Plan (RSUP)

RSUP 2021

In the financial year 2021, subscription rights in the form of restricted stock units (RSUs) were granted to selected employees. An RSU grants an entitlement to a cash settlement or shares in the company, whereby the choice of settlement form lies solely with the company. The value of an RSU corresponds to the value of the volume-weighted six-month average price of the Company's shares on the primary stock exchange (XETRA).

The vesting period of the RSUs is four years after the grant date of the subscription rights. The vested entitlement is settled once a year within 40 trading days after publication of the annual financial statements of Mynaric AG.

The grant of RSUs under the RSUP 2021 has been classified and measured as equity-settled share-based payment in accordance with IFRS 2.

The table below provides an overview of outstanding, granted, forfeited, exercised and forfeited RSUs.

The RSUs developed as follows in the financial year 2022:

	Tranche 2021 I	Tranche 2021 II	Tranche 2022 I	Tranche 2022 II	Tranche 2022 III	Tranche 2022 IV
RSUs outstanding as of Jan. 1, 2022	67,773	32,423	-	-	-	-
RSUs granted	-	-	26,430	28,518	50,342	13,261
RSUs forfeited	13,536	3,748	2,055	87	1,537	-
RSUs exercised	16,149	-	-	-	-	-
RSUs expired	-	-	-	-	-	-
RSUs outstanding as of Dec. 31, 2022	37,887	28,675	24,375	28,431	48,805	13,261
RSUs exercisable as of Dec. 31, 2022	-	-	-	-	-	-

The RSUs developed as follows in the financial year 2021:

	Tranche 2021 I	Tranche 2021 II
RSUs outstanding as of Jan. 1, 2021	-	-
RSUs granted	68,631	32,476
RSUs forfeited	858	53
RSUs exercised	-	-
RSUs expired	-	-
RSUs outstanding as of Dec. 31, 2021	67,773	32,423
RSUs exercisable as of Dec. 31, 2021	-	-

Measurement model and inputs

The valuation of the present RSU program was performed using a binomial model considering the option terms. The table below shows the input parameters of the model as grant date as of December 31, 2022.

	Tranche 2021 I	Tranche 2021 II	Tranche 2022 I	Tranche 2022 II	Tranche 2022 III	Tranche 2022 IV
Exercise price (in €)	0.00	0.00	0.00	0.00	0.00	0.00
Term in years	4.77	4.52	5.26	5.02	4.77	4.52
Remaining term in years	3.27	3.27	4.27	4.27	4.27	4.27
Share price as of the valuation date (in €)	80.60	62.90	46.35	40.65	26.75	19.76
Expected dividend yield (in %)	0.00	0.00	0.00	0.00	0.00	0.00
Expected volatility (in %)	39.83	39.75	38.89	39.14	39.54	45.59
Risk-free interest rate (in %)	-0.60	-0.62	-0.45	0.37	0.87	1.92
RSU-value (in €)	80.60	62.90	46.35	40.65	26.75	19.76

The table below shows the input parameters of the model as grant date as of December 31, 2021.

	Tranche 2021 I	Tranche 2021 II
Exercise price (in €)	0.00	0.00
Term in years	4.77	4.52
Remaining term in years	4.27	4.27
Share price as of the valuation date (in €)	80.60	62.90
Expected dividend yield (in %)	0.00	0.00
Expected volatility (in %)	39.83	39.75
Risk-free interest rate (in %)	-0.60	-0.62
RSU-value (in €)	80.60	62.90

The implied yield of German government bonds with equivalent maturities was used to determine the risk-free interest rate. As the stock market history of Mynaric AG is shorter than the remaining term of the RSUs, the volatility was determined as maturity-equivalent historical volatility based on the peer group. The expected volatility considered is based on the assumption that future trends can be inferred from historical volatility, so that the volatility that actually occurs may differ from the assumptions made.

The total expense for equity-settled share-based payments recognized in the year ended December 31, 2022, under the RSU-Program is €3,832 thousand (2021: €1,429 thousand). The equity-settled share-based payments recognized in the capital reserve amount to €5,261 thousand as of December 31, 2022 (2021: €1,429 thousand).

12. Depreciation, Amortization and Impairment

Amortization, depreciation and impairment are summarized as follows:

€ thousand	For the years ended December 31, 2022	December 31, 2021
Amortization of intangible assets	1,545	1,267
Impairment of intangible assets	1,531	0
Depreciation of property, plant, and equipment	3,254	1,994
Depreciation of right-of-use assets	1,659	1,257
Total	**7,989**	**4,518**

During the year ended December 31, 2022, an impairment in the amount of €1,531 thousand (2021: €0) was recognized for the capitalized development costs of the CONDOR MEO (refer to Note 17).

13. Other Operating Costs

Other operating costs can be broken down as follows:

€ thousand	For the years ended December 31, 2022	December 31, 2021
Legal and consulting fees	6,955	2,477
Insurance	4,855	803
Office and IT costs	4,236	3,282
Selling and travel costs	2,279	1,638
Other business supplies, equipment and services	1,835	1,396
Incidental rental costs and maintenance	814	696
Onerous contracts	0	240
Other costs	1,108	1,298
Total	**22,082**	**11,830**

14. Net Finance Income/Costs

The financial result is calculated as follows:

€ thousand	For the years ended December 31, 2022	December 31, 2021
FINANCIAL EXPENSES		
Interest and similar expenses on loans	-2,403	-2,196
Interest on lease obligations	-229	-185
Borrowing costs capitalized in accordance with IAS 23	87	233
Total	**-2,545**	**-2,148**
Net foreign exchange gain (loss)	**2,574**	**826**
Net Finance Income/Costs	**29**	**-1,322**

Borrowing costs capitalized as the cost in accordance with IAS 23 are as follows:

	For the years ended	
€ thousand	December 31, 2022	December 31, 2021
Total finance expenses	2,632	2,381
Thereof capitalized as the cost of		
Development projects	56	79
Construction in progress	32	154
Capitalization rate p.a.	9.08%	22.06%

15. Income Taxes

	For the years ended	
€ thousand	December 31, 2022	December 31, 2021
Loss before taxes	-73,806	-43,686
Expected taxes applying the domestic tax rate of 27.725% (2021: 27.725%)	-20,463	-12,112
Foreign tax rate differential	-19	-85
Tax effect of expenses that are not deductible for tax purposes / tax adjustments	267	192
Tax effect from losses incurred in the current year and deductible temporary differences for which no deferred taxes were recognized	18,160	15,650
Recognition of previously unrecognized deferred tax assets from deductible temporary differences and on loss carryforwards and reversal of deductible temporary differences / utilization of loss carryforwards for which no deferred taxes were previously recognized	-448	0
Write-up/-down of deferred tax assets	451	-2,123
Effect of equity-settled share-based payments	1,629	233
Other	399	37
Tax benefit (2021: tax expense) for the fiscal year	**-24**	**1,791**

Due to the previous start-up losses, deferred tax assets were recognized, only to the extent of taxable temporary differences. Accordingly, no deferred taxes were recognized for corporation tax loss carryforwards in Germany in the amount of €157,043 thousand (2021: €97,469 thousand) and for trade tax loss carryforwards in Germany in the amount of €154,986 thousand (2021: €96,320 thousand). The same applies to foreign tax loss carryforwards in the amount of €17,552 thousand (2021: €6,843 thousand). Deductible temporary differences were not recognized in the amount of €1,699 thousand (2021: €1,519 thousand). The utilization of the tax loss carryforwards and deductible temporary differences is ensured to the extent that sufficient taxable temporary differences will be available after the deduction of amounts corresponding to minimum taxation legislation in Germany for each particular year of usage.

As of December 31, 2022, domestic loss carryforwards totaled €168,538 thousand for corporation tax and €166,481 thousand for trade tax (2021: €109,662 thousand and €108,514 thousand, respectively). These loss carryforwards do not expire. Foreign tax loss carryforwards in the amount of €648 thousand will expire in 2037 if not used (2021: €648 thousand). Foreign tax loss carryforwards in the amount of €16,904 thousand (2021: €6,195 thousand) do not expire.

Balance of deferred tax assets and liabilities:

€ thousand	Dec. 31, 2022		Dec. 31, 2021		Jan. 1 – Dec. 31, 2022	Jan. 1 – Dec. 31, 2021
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Changes recognized in profit or loss	
Intangible assets	12	4,901	1	5,419	529	-486
Leases	29	0	2	0	27	8
Property, plant, and equipment	292	0	101	0	191	59
Other non-financial assets	0	48	0	0	-48	0
Inventories	0	121	79	0	-200	71
Provisions	56	1	110	23	-32	82
Other financial and non-financial liabilities	0	273	0	22	-251	-28
Tax loss carryforwards and tax credits	3,187	0	3,380	0	-193	-1,497
Offsetting	-3,577	-3,577	-3,673	-3,673	0	0
Total	**0**	**1,767**	**0**	**1,791**	**24**	**-1,791**

16. Earnings per Share

Basic earnings per share is calculated by dividing earnings after taxes attributable to the shares by the number of participating shares. Diluted earnings per share is calculated by considering the potential increase in the Group's ordinary shares as the result of granted stock options, restricted stock units and convertible bonds.

Earnings per share were as follows:

	For the years ended	
	December 31, 2022	December 31, 2021
Consolidated net profit/loss in € thousand	-73,782	-45,477
Weighted-average number of ordinary shares, basic and diluted	5,435,839	4,250,135
Basic and diluted earnings per share in €	-13.57	-10.70

As of December 31, 2022, 45,794 RSU´s (2021: 4,289 RSU´s) and no stock options (2021: 152,610 stock options) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

17. Intangible Assets

Cost

€ thousand	Development costs	Software and licenses	Total
Balance as of Jan. 1, 2021	17,953	347	18,300
Additions	2,924	436	3,360
Disposals	0	-9	-9
Balance as of Dec. 31, 2021	20,877	774	21,651
Additions	1,023	142	1,165
Balance as of Dec. 31, 2022	21,900	916	22,816

Amortization and Impairment

€ thousand	Development costs	Software and licenses	Total
Balance as of Jan. 1, 2021	158	258	416
Amortization for the year	1,174	93	1,267
Disposals	0	-1	-1
Balance as of Dec. 31, 2021	1,332	350	1,682
Amortization for the year	1,359	186	1,545
Impairment for the year	1,531	0	1,531
Balance as of Dec. 31, 2022	4,222	536	4,758

Carrying amount

€ thousand	Development costs	Software and licenses	Total
Carrying amount as of Dec. 31, 2021	19,545	424	19,969
Carrying amount as of Dec. 31, 2022	17,678	380	18,058

During the year ended December 31, 2022, development costs in the amount of €18,019 thousand (2021: €17,830 thousand) were recognized as an expense since the criteria set out in IAS 38.57 were not met. Of the total amount of €18,986 thousand (2021: €20,675 thousand), development costs of €967 thousand (2021: €2,845 thousand) were capitalized.

Capitalized development costs

The Group mainly capitalized development costs for the development of the CONDOR MEO in the year ended December 31, 2022. However, the CONDOR MEO technology was subsequently impaired in the amount of €1,531 thousand. In the year ended December 31, 2021, the group capitalized costs for the development of the basic SPACE technology, which represent the technological foundation for the CONDOR products, as well as for the development of the CONDOR MEO.

The further development of the CONDOR MEO technology is since October 2022 under re-evaluation. The development of this adaption of the CONDOR technology was developed in connection with a customer's contract. This contract was breached by the customer and therefore terminated by Mynaric. In this context, Mynaric re-evaluated the scenarios regarding the technology's future and the completion of the development of the CONDOR MEO product variant. Result of the re-evaluation was to focus the currently available resources on the other products and to prioritize the completion of the development of these existing products and ramp up their serial production. Subsequently, the total capitalized costs in the amount of €1,531 thousand were impaired.

In year ended December 31, 2022, finance expenses in the amount of €56 thousand (2021: €79 thousand) were capitalized as the cost of the development projects in accordance with IAS 23.

The development activities for the basic technology Space were completed in March 2021. The amortization of the associated capitalized development costs for Space technology started on March 1, 2021, applying the useful life of 15 years.

The carrying amounts of the capitalized development projects were as follows:

€ thousand	Space	Air	CONDOR MEO	Total
Carrying amount as of Dec. 31, 2021	15,072	3,965	508	19,545
Carrying amount as of Dec. 31, 2022	13,998	3,681	0	17,678

The remaining useful life of the capitalized development projects were as follows:

in years	Space	Air	CONDOR MEO
Remaining useful life as of Dec. 31, 2021	14.2	13.5	n/a
Remaining useful life as of Dec. 31, 2022	13.2	12.5	n/a

Impairment test of capitalized development costs

Management identified events that might trigger an impairment for the Space and Air base technology, mainly due to the facts that sales revenues have delayed to later years as compared to last year's planning.

The recoverable amount of the intangible assets is based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

The key assumptions for determining the fair value less costs of disposal are the discount rates, expected number of sold terminals and the respective selling prices and direct costs during the period. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to each CGU, which are identical to the reportable segments. The Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 5 years and extrapolates these cash flows. Management estimates the cash flows generated by the sale of terminal equipment based on internal expectations, which in turn are based in part on external market studies, expected profits in tendered projects from private and public customers, and potential new business areas. The planned costs consider the number of terminals expected to be sold and the general growth of other operating expenses and estimated price increases.

The Company uses post-tax discount rates of 19.07% for both segment CGUs (2021: 17.66% for both CGUs) based on the historical industry weighted average cost of capital, with a possible debt leveraging of 14.6% (2021: 17.0%), a market premium of 7.5% (2021: 8%) and a risk premium of 10.0% (2021: 11%).

18. Property, Plant, and Equipment

Cost

€ thousand	Land and buildings	Machinery	Other plant, furniture, fixtures, and office equipment	Construction in progress	Total
Balance as of Jan. 1, 2021	1,256	4,303	3,151	2,717	11,426
Exchange rate differences	49	0	34	23	107
Additions	1,107	2,437	2,654	2,397	8,594
Reclassifications	562	2,014	311	-2,887	0
Disposals	-8	0	-283	0	-291
Balance as of Dec. 31, 2021	2,966	8,754	5,867	2,250	19,838
Exchange rate differences	70	-9	41	22	124
Additions	438	1,239	2,356	4,743	8,776
Reclassifications	136	4,331	105	-4,572	0
Disposals	0	-1	-261	-60	-322
Balance as of Dec. 31, 2022	3,610	14,314	8,108	2,383	28,415

Depreciation

€ thousand	Land and buildings	Machinery	Other plant, furniture, fixtures, and office equipment	Construction in progress	Total
Balance as of Jan. 1, 2021	206	630	516	0	1,352
Exchange rate differences	4	0	2	0	7
Depreciation for the year	304	773	916	0	1,994
Disposals	0	0	-283	0	-283
Balance as of Dec. 31, 2021	514	1,403	1,151	0	3,070
Exchange rate differences	1	0	4	0	5
Depreciation for the year	526	1,419	1,309	0	3,254
Disposals	0	-2	-219	0	-221
Balance as of Dec. 31, 2022	1,041	2,820	2,245	0	6,106

Carrying amount

€ thousand	Land and buildings	Machinery	Other plant, furniture, fixtures, and office equipment	Construction in progress	Total
Carrying amount as of Dec. 31, 2021	2,452	7,351	4,716	2,250	16,768
Carrying amount as of Dec. 31, 2022	2,569	11,494	5,863	2,383	22,309

Investments in property, plant, and equipment made during the year ended December 31, 2022, in the amount of €8,776 thousand (2021: €8,594) referred primarily to the expansion of production capacities. Other investments were made in IT infrastructure and office equipment.

During the year ended December 31, 2022, finance expenses in the amount of €32 thousand (2021: €154 thousand) were recorded as the cost of property, plant, and equipment in accordance with IAS 23.

19. Right-of-Use Assets

Cost

€ thousand	Real estate leases	Other leases	Total
Balance as of Jan. 1, 2021	9,216	19	9,235
Exchange rate differences	168	0	168
Additions	1,995	0	1,995
Disposals	-11	0	-11
Balance as of Dec. 31, 2021	11,368	19	11,387
Exchange rate differences	196	0	196
Additions	688	750	1,438
Disposals	-5	-11	-16
Balance as of Dec. 31, 2022	12,247	758	13,005

Depreciation

€ thousand	Real estate leases	Other leases	Total
Balance as of Jan. 1, 2021	1,287	6	1,293
Exchange rate differences	17	0	17
Depreciation for the year	1,252	5	1,257
Disposals	-7	0	-7
Balance as of Dec. 31, 2021	2,549	11	2,560
Exchange rate differences	13	0	13
Depreciation for the year	1,647	13	1,660
Disposals	0	-11	-11
Balance as of Dec. 31, 2022	4,209	13	4,222

Carrying amount

€ thousand	Real estate leases	Other leases	Total
Carrying amount as of Dec. 31, 2021	8,819	8	8,827
Carrying amount as of Dec. 31, 2022	8,038	744	8,782

The Company has entered into leases for real estate, machinery as well as operating and office equipment that it uses for its operations. Real estate leases have terms of between five and 10 years. The term for operating and office equipment ranges from three to five years. The rental contracts for machinery ranges from four to six years and contain purchase options which management expects to exercise. Therefore, the useful life of these assets ranges from 10-15 years. The obligations of the Company from its lease agreements are collateralized through the lessor's ownership of the leased assets. Several lease agreements contain extension and termination options that are described in more detail below.

The Company has also entered into lease agreements for properties and operating and office equipment with a term of not more than 12 months, as well as leases for low-value office equipment.

For these leases, the Company applies the practical expedients applicable to short-term leases and leases for low-value assets.

The additions presented during the year ended December 31, 2022, in the amount of €1,438 thousand (2021: €1,995 thousand) relating to leases of machinery and rent increases of real estate leases.

The following amounts were recognized in profit or loss:

	For the years ended	
€ thousand	December 31, 2022	December 31, 2021
Interest expenses for lease liabilities	229	185
Expenses for short-term leases	26	13
Expenses for leases of low-value assets	6	6

The Company's cash outflows for leases amounted to €1,942 thousand in 2022 (2021: €1,241 thousand).

Several real estate's leases include extension options. Wherever possible, the Company seeks to include extension options when entering into new leases in order to ensure operational flexibility. The extension options can be exercised only by the Company, not by the lessor. The Company assesses on the commencement date whether an exercise of the extension option is reasonably certain. If a significant event or a significant change in circumstances outside of the Company's control occurs, the Company reassesses whether the exercise of the extension option is reasonably certain.

The following table shows the undiscounted potential future lease payments from the exercise of extension options:

€ thousand	Within five years	Over five years	Total
Extension options that are not expected to be exercised	1,246	7,862	9,108

The following table shows the undiscounted future payments for a not yet commenced leasing contract. The probable commencement date is the August 1, 2023.

€ thousand	Within five years	Over five years	Total
Future payments for a not yet commenced leasing contract	11,183	14,136	25,319

20. Equity-Accounted Investees

Joint Venture – UNIO

In July 2022, Mynaric AG entered into a joint venture agreement with Isar Aerospace Technologies GmbH, REFLEX aerospace GmbH, and SES Astra Services Europe S.a.r.l. and established UNIO Enterprise GmbH, Munich. The share capital amounted to €25,000 and the shareholding is 25% for each shareholder. The Group recognized UNIO as equity-accounted investee in the Group's condensed consolidated statements of financial position.

21. Inventories

The break-down of inventories is presented in the table below:

€ thousand	December 31, 2022	December 31, 2021
Raw materials and supplies	10,851	6,665
Work in progress	2,058	1,183
Finished goods	439	551
Total	**13,348**	**8,399**

During the year ended December 31, 2022, inventories of €13,378 thousand (2021: €7,964 thousand) were recognized as a cost during the year.

During the years the Company recognized the following write-downs of inventory:

	For the years ended	
€ thousand	December 31, 2022	December 31, 2021
Write downs of raw material and supplies	-5,601	-2,039
Write downs of work in progress	-1,225	-397
Write downs of finished goods	-657	-65
Total	**-7,483**	**-2,501**

The write-downs for the year ended December 31, 2022, refer to materials relevant for production of CONDOR Mk1, CONDOR Mk2 and CONDOR MEO. The write-downs for the year ended December 31, 2021, refer to materials relevant for production of CONDOR Mk1 and CONDOR Mk2. The corresponding raw materials were written down to their recoverable amount.

22. Trade Receivables

As of December 31, 2022, all trade receivables are denominated in US dollars. The maximum default risk for receivables is their carrying amount. All receivables result from contracts with customers.

€ thousand	December 31, 2022	December 31, 2021
Trade receivables	1,101	0
Total	**1,101**	**0**

The trade receivables relate to two contracts and two customers. Further information about the group's exposure to credit risk can be found in the Notes 33.2 a).

23. Other Financial and Non-Financial Assets

Non-current and current financial and non-financial assets comprise the following:

	December 31, 2022		December 31, 2021	
€ thousand	Current	Non-current	Current	Non-current
NON-FINANCIAL ASSETS				
Tax receivables	2,166	0	2,175	0
Prepaid expenses	2,238	0	2,041	0
Advance payments	625	0	1,025	0
Other	432	0	128	0
Total	**5,461**	**0**	**5,369**	**0**
FINANCIAL ASSETS				
Security deposits	0	449	0	411
Receivables from suppliers	48	0	95	0
Embedded derivative	172	0	0	0
Other	0	0	48	0
Total	**220**	**449**	**143**	**411**
Total	**5,681**	**449**	**5,512**	**411**

The maximum default risk for financial assets is their carrying amount.

24. Cash and Cash Equivalents

As of the reporting date, the balance of cash funds amounted to €10,238 thousand (2021: €48,143 thousand) and comprises primarily balances held with banks.

25. Equity

25.1. Subscribed Capital

a) Issued share capital

As of January 1, 2022, the Company's share capital amounted to €5,242,948, divided into €5,242,948 bearer shares with a nominal value of €1.00 per share.

During the year ended December 31, 2022, share capital was increased to €5,668,391 through the issuance of a total of 425,443 bearer shares with a nominal value of €1.00 per share. This was due to the following transactions:

L3Harris

In July 2022, Harris Communications GmbH, München, an indirect wholly owned subsidiary of L3Harris Technologies, Inc., Delaware, USA, invested approximately €11.2 million by means of a capital increase from authorized capital in exchange for 409,294 new ordinary shares, which corresponded to 7.2% of the share capital of Mynaric AG.

Due to this transaction the share capital increased by €409,294 and the capital reserve by €10,792,060.

Restricted Stock Unit Plan related capital increase

In August 2022, the Management Board and the Supervisory Board have adopted a capital increase resolution, in which they resolved to increase the share capital of Mynaric AG of €5,652,242 by €16,149 to €5,668,391 through the issuance of 16,149 new bearer no par value shares under exclusion of the subscription rights of the shareholders out of the Authorized Capital 2021/II. The 16,149 new shares relate to the settlement of 16,149 vested restricted stock units ("RSU's") under the RSUP 2021 program of the Group.

For descriptions of the Authorized Capital 2021/II refer to Note 25.1.c) and the RSUP 2021 program refer to Note 11.2.

b) Conditional capital

As of December 31, 2022, there is conditional capital in the amount of €2,619,974 (2021: €2,046,474).

On June 12, 2020, the Annual General Meeting resolved to create 2020/I Conditional Capital and an additional 2020/II Conditional Capital, and to reduce the 2017/I Conditional Capital.

2019 Conditional Capital

Based on an authorization of the Annual General Meeting on July 2, 2019, 2019 Conditional Capital was created in the amount of €270,000.00. The Management Board was authorized, subject to the consent of the Supervisory Board, to grant stock option rights for shares to members of the Management Board and to employees of the Company or its affiliates on one or more occasions until December 31, 2022.

2020/I Conditional Capital

Based on an authorization of the Annual General Meeting on June 12, 2020, 2020/I Conditional Capital was created in the amount of €34,473.00. The Management Board is authorized, subject to the consent of the Supervisory Board, to grant stock option rights for shares to members of the Management Board and to employees of the Company or its affiliates on one or more occasions until December 31, 2025.

2020/II Conditional Capital

Based on an authorization of the Annual General Meeting on June 12, 2020, 2020/II Conditional Capital was created, which led to a contingent increase in the Company's share capital by up to €1,277,893.00 through the issue of up to 1,277,893 new no-par value bearer shares.

The Management Board is authorized, subject to the consent of the Supervisory Board, to issue on one or more occasions until July 2, 2025 convertible bonds and/or bonds with warrants issued to the bearer in a total amount of up to €150 million with a term of not more than 20 years, and to grant to the bondholders conversion and/or option rights to new shares of the Company with a pro rata amount in the share capital of up to a total of €1,277,893.00 pursuant to the terms and conditions of the convertible bonds and/or bonds with warrants.

Due to the conversion of convertible bonds in fiscal year 2021, Conditional Capital 2020/II amounts to €1,179,679.00 as of December 31, 2021.

On May 14, 2021, the Annual General Meeting resolved to create 2021/I Conditional Capital and an additional 2021/II Conditional Capital.

2021/I Conditional Capital

Based on an authorization of the Annual General Meeting on May 14, 2021, 2021/I Conditional Capital was created, which led to a contingent increase in the Company's share capital by up to €457,501.00 through the issue of up to 457,501 new no-par value bearer shares.

The Management Board is authorized, subject to the consent of the Supervisory Board, to issue on one or more occasions until May 13, 2026 convertible bonds and/or bonds with warrants issued to the bearer with a term of not more than 20 years, and to grant to the bondholders conversion and/or option rights to new shares of the Company with a pro rata amount in the share capital of up to a total of €457,501.00 pursuant to the terms and conditions of the convertible bonds and/or bonds with warrants.

2021/II Conditional Capital

Based on an authorization of the Annual General Meeting on May 14, 2021, 2021/II Conditional Capital was created which led to a contingent increase in the Company's share capital by up to €103,321.00 through the issue of up to 103,321 new no-par value bearer shares.

The Supervisory Board is authorized, to grant stock option rights for shares to members of the Management Board of the Company on one or more occasions until May 13, 2026.

On July 14, 2022, the Annual General Meeting resolved to create 2022/I Conditional Capital and an additional 2022/II Conditional Capital and to rescind the 2017 Conditional Capital and the 2021/I Conditional Capital.

2022/I Conditional Capital

Based on an authorization of the Annual General Meeting on July 14, 2022, 2022/I Conditional Capital was created, which led to a conditional increase in the Company's share capital by up to €917,501 through the issue of up to 917,501 new shares.

The Management Board is authorized, subject to the consent of the Supervisory Board, to issue on one or more occasions until July 13, 2027 convertible bonds and/or bonds with warrants issued to the bearer with a term of not more than 20 years, and to grant to the bondholders conversion and/or option rights to new shares of the Company with a pro rata amount in the share capital of up to a total of €917,501 pursuant to the terms and conditions of the convertible bonds and/or bonds with warrants.

2022/II Conditional Capital

Based on an authorization of the Annual General Meeting on July 14, 2022, 2022/II Conditional Capital was created which led to a contingent increase in the Company's share capital by up to €115,000 through the issue of up to 115,000 new no-par-value bearer or registered shares.

The Supervisory Board is authorized, to grant stock option rights for shares to members of the Management Board of the Company on one or more occasions until July 14, 2027.

c) Authorized Capital

As of December 31, 2022, there is authorized capital in the amount of €2,605,325 (2021: €880,325).

On May 14, 2021, the Annual General Meeting resolved to create 2021/I Authorized Capital and an additional 2021/II Authorized Capital and to rescind the Authorized Capital 2020.

2021/I Authorized Capital

The Management Board is authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions until May 13, 2026, by up to a total amount of €1,841,827.00 through the issue of up to 1,841,827 new no-par-value bearer shares against cash contributions and/or contributions in kind.

As a result of the capital increases carried out in fiscal year 2021, Authorized Capital 2021/I amounts to €691,827.00 as of December 31, 2021.

2021/II Authorized Capital

The Management Board is authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions until May 13, 2026, by up to a total amount of €204,647.00 through the issue of up to 204,647 new no-par-value bearer shares against cash contributions and/or contributions in kind.

Shareholders' subscription rights are excluded. Authorized Capital 2021/II serves to deliver shares of the Company to service restricted stock units (RSUs) granted under the Company's Restricted Stock Unit Program (RSUP) to selected employees of the Company and its affiliates in accordance with the RSUP in return for the contribution of the respective payment entitlements arising under the RSUs.

As a result of the capital increase carried out in fiscal year 2022, Authorized Capital 2021/II amounts to €188,498.00 as of December 31, 2022.

On July 14, 2022, the Annual General Meeting resolved to create 2022/I Authorized Capital and an additional 2022/II Authorized Capital and to rescind the Authorized Capital 2021/I.

2022/I Authorized Capital

The Management Board is authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions until July 13, 2027, by up to a total amount of €2,154,680 through the issue of up to 2,154,680 new no-par-value bearer or registered shares against cash contributions and/or contributions in kind.

2022/II Authorized Capital

The Management Board is authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions until July 13, 2027, by up to a total amount of €262,147 through the issue of up to 262,147 new no-par-value bearer or registered shares against cash contributions and/or contributions in kind.

Authorized Capital 2022/II serves to deliver shares of the Company to service restricted stock units (RSUs) granted under the Company's Restricted Stock Unit Program (RSUP) to selected employees of the Company and its affiliates in accordance with the RSUP in return for the contribution of the respective payment entitlements arising under the RSUs. Shareholder subscription rights are excluded.

25.2. Capital Reserve

The capital reserve comprises the premiums received in connection with the issuance of new shares, equity-settled share-based payments, and the incremental costs directly attributable to the specific capital increases.

25.3. Exchange Rate Differences

The reserve for exchange rate differences comprises all currency translation differences arising due to the translation of the financial statements of foreign operations.

26. Provisions

Current and non-current provisions changed as follows:

€ thousand	Jan. 1, 2022	Utilization	Reversals	Additions	FX	Dec. 31, 2022
Litigation	783	0	75	0	0	708
Asset retirement obligations	206	0	0	0	-2	204
Onerous contracts	240	0	240	0	0	0
Warranties	5	0	0	23	0	28
Total	**1,234**	**0**	**315**	**23**	**-2**	**940**
thereof non-current						
Asset retirement obligations	206	0	0	0	-2	204
Warranties	5	0	0	8	0	13
Total	**211**	**0**	**0**	**8**	**-2**	**217**

27. Contract Liabilities

The contract liabilities in the amount of €205 thousand (December 31, 2021: €307 thousand) consist of payments made by customers in fiscal year 2022 and 2021 presented in accordance with IFRS 15.

28. Trade and Other Payables

The following table shows the breakdown of the trade and other payables:

€ thousand	December 31, 2022	December 31, 2021
Trade payables	4,222	4,377
Other accruals	5,016	4,019
Total	**9,238**	**8,396**

29. Other Financial Liabilities

The other financial liabilities comprise the following:

€ thousand	December 31, 2022	December 31, 2021
Loan Agreement	14,440	0
Other financial liabilities	339	37
Total	**14,779**	**37**
thereof non-current		
Other financial liabilities	249	0
Total	**249**	**0**

On May 02, 2022, the Group entered into a credit agreement with Formue Nord Fokus A/S, Modelio Equity AB (publ) and Munkekullen 5 förvaltning AB as lenders for a credit line of €25 million until June 30, 2023. A loan in a nominal amount of €13,110 thousand has been disbursed hereunder on May 3, 2022, which is presented together with accrued interest in the amount of €1,330 thousand as

Loan Agreement in the table above. The loan contains a prepayment option which enables the group to prepay the loan early. This option was bifurcated from the debt host contract. The prepayment option is recognized as an embedded derivative and is presented on statement of financial position under Other financial and non-financial assets. The embedded derivative is measured at fair value through profit or loss. The initial option value was €454 thousand. As of December 31, 2022, the fair value of the embedded derivative was €172 thousand. The fair value change of €282 thousand is recognized under interest and similar expenses. For further information regarding the valuation methodology refer to Note 33.1.

30. Other Non-Financial Liabilities

Current financial and non-financial liabilities comprise the following:

€ thousand	December 31, 2022	December 31, 2021
Liabilities due to customers	15,166	1,888
Loan related fees	782	0
Liabilities for payroll, social security and payroll tax	482	435
Other	228	0
Total	**16,658**	**2,323**

Liabilities due to customers includes payments received from customers where the underlying agreements do not constitute a contract within the meaning of IFRS 15.9. The liability is recognized as other liabilities, rather than contract liabilities, until a contract according to IFRS 15.9 exists or the requirements of IFRS 15.15 for recognition in profit or loss are met. During the year ended December 31, 2022, total payments received related to such contracts totaled €15,984 thousand (2021: €1,888 thousand) and revenue of €2,661 thousand was recognized (2021: € 0 thousand).

31. Statement of Cash Flows

The cash funds correspond to cash and cash equivalents as of the reporting date, comprising primarily cash on hand and bank balances.

Reconciliation of movements in liabilities to cash flows from financing activities

The reconciliation of liabilities to the cash flows from financing activities required to be disclosed in accordance with IAS 7.44 is as follows:

		Cash Changes		Non-cash changes			
€ thousand	Balance as of Jan. 1, 2022	Inflows	Outflows	Additions	Unpaid interest	FX	Balance as of Dec. 31, 2022
Short-term loans	0	13,110	0	0	1,330	0	14,440
Lease liabilities	9,027	0	-1,713	1,439	6	183	8,942
Other sundry financial liabilities	37	420	-137	15	4	0	339
Total	**9,064**	**13,530**	**-1,850**	**1,454**	**1,340**	**183**	**23,721**

		Cash Changes		Non-cash changes			
€ thousand	Balance as of Jan. 1, 2021	Inflows	Outflows	Additions	Unpaid interest	FX	Balance as of Dec. 31, 2021
Short-term loans	0	7,500	-7,500	0	0	0	0
Lease liabilities	7,956	0	-1,056	1,951	0	176	9,027
Other sundry financial liabilities	0	0	0	37	0	0	37
Total	**7,956**	**7,500**	**-8,556**	**1,988**	**0**	**176**	**9,064**

32. Related Party Disclosures

In accordance with IAS 24 (Related Party Disclosures), persons or companies which are influenced by the reporting entity or which can exert influence on the reporting entity must be disclosed unless such parties are already included in the consolidated financial statements as a consolidated company. Key management personnel consist of the members of the Management and the Supervisory boards.

32.1. Related party transactions

The following entities are deemed to be related parties of the Company:

- MCConsult Dr. Peschko, Gilching (previously: Adelanto management services s.I.)
- Pinsent Masons LLP, Munich
- Apeiron Investment Group Ltd.
- Apeiron Advisory Ltd.

MCConsult Dr. Peschko, Gilching (previously: Adelanto management services s.I.)

MCConsult Dr. Peschko is a company owned by Dr. Wolfram Peschko, a former Management Board member who resigned in fiscal year 2020, which provides advisory services for the Company. During the year ended December 31, 2022, related party expenses involving MCConsult Dr. Peschko amounted to €93 thousand. As of December 31, 2022, the Group does not have any outstanding liabilities due to MCConsult Dr. Peschko.

Pinsent Masons LLP

Pinsent Masons LLP is a law firm in which Mr. Mayrhofer, a former member of the Supervisory Board who resigned in fiscal year 2020, is a partner which provides legal advisory services for the companies of the Group. During the year ended December 31, 2022, related party expenses involving Pinsent Masons LLP amounted to €5 thousand. As of December 31, 2022, the Group does not have any outstanding liabilities due to Pinsent Masons LLP.

Apeiron Investment Group Ltd.

Apeiron Investment Group Ltd. ("Apeiron"), a shareholder of Mynaric AG, and Bulent Altan, the Chief Executive Officer and a member of the management board of Mynaric AG, entered into an option agreement, dated August 13, 2019 (as amended), under which Apeiron granted Mr. Altan the right to acquire 56,700 no-par value bearer shares of the Company at a price of €25.00 per share (the "Altan Option Agreement"). Under the Altan Option Agreement, Mr. Altan was initially entitled to exercise the option during a four-week exercise period following written notice by Apeiron that certain conditions precedent under the agreement have been met (the "Initial Exercise Period"). While the Initial Exercise Period would have expired in December 2020, Apeiron and Mr. Altan agreed to extend the exercise period under the Altan Option Agreement to December 31, 2022. The option was not exercised.

Apeiron Advisory Ltd.

Apeiron Advisory Ltd. ("Apeiron"), Sliema, Malta, and the Mynaric AG have concluded a contract as of March 25, 2022. According to the contract, Apeiron will provide the Group with political and strategic advisory, supporting its management team in building a relevant network of decision makers, thought leaders and institutional investors, as well as navigating government and international affairs. Vincent Wobbe, member of the Group's supervisory board, is considered a related party due to his employment with the Apeiron Investment Group Ltd. As of December 31, 2022, the Group recognized expenses in the amount of €480 thousand and a liability in the amount of €30 thousand.

32.2. Remuneration for members of the Management Board

The Supervisory Board determines the total remuneration for members of the Management Board. It also reviews and resolves upon the remuneration system as well as the appropriateness of the total compensation of the respective Management Board members, including the significant contractual elements.

The objective of the remuneration of the Management Board is to provide an adequate compensation for personal performance – considering the Company's economic performance – and to provide an incentive for successful corporate governance. In this context, the remuneration is in line with the Company's size as well as industry- and country-specific standards.

The remuneration for Management Board members consists of three components:

- a non-performance-related remuneration (fixed remuneration),
- performance-related bonuses,
- and stock options.

The overall remuneration for the members of the Management Board comprises approximately 40% in fixed remuneration and 60% in performance-related remuneration in the event of 100% target achievement.

Non-performance-related remuneration

The fixed, non-performance-related remuneration comprises the basic remuneration and fringe benefits that may vary over the years, depending on the person involved or the occurrence of certain events.

The amount of the fixed remuneration depends on delegated functions and responsibilities as well as the general conditions customary to the industry and the market. These conditions relate primarily to other listed small- and medium-sized companies from the technology industry and related sectors. The fixed remuneration is paid in monthly installments.

Fringe benefits mainly include expenses for company housing for members of the Management Board. Members also receive taxable in-kind benefits.

Performance-related remuneration

The performance-related remuneration comprises two components: the first is agreed upon with the Supervisory Board on an annual basis, and the second is a strategic special component.

The component agreed upon with the Supervisory Board on an annual basis generally consists of two elements based on the Company's economic performance and achievement of the annual budget as approved by the Supervisory Board. The bonus can be a maximum of 200% in the case of overachievement.

The strategic special component is a reward for the Management Board member's performance in acquiring strategic investors for the Company.

Stock options

The third remuneration component comprises stock options granted to selected employees in the form of stock options from Stock Option Plans 2019, 2020, 2021 and 2022, in which the Management Board members also participate. A stock option right entitles the holder to the right to purchase Company shares at the respective exercise price. The vesting period for exercise of the options is four years, starting on the grant date of such options. The options may be exercised within a period of three years after the expiration of the vesting period, provided that the performance target has been achieved.

In the context of these plans, stock options were issued to the Management Board in 2019, 2020, 2021 and 2022, which entitle the holder to subscribe to Mynaric AG shares. Detailed information about the granted stock options are presented in Note 11.

Remuneration granted

The remuneration granted to the Management Board in fiscal year 2022 is broken down as follows:

	Short-term employee benefits		Equity-settled share-based payments		Total in € thousand
Year	Basic remuneration in € thousand	Short-term variable remuneration in € thousand	Number of stock options granted	Recognized as expense in € thousand	
2022	1,380	488	108,000	1,818	3,686
2021	713	113	100,000	332	1,158

The chairman of the Management Board, Bulent Altan, received remuneration for his activities as CEO of the subsidiary Mynaric USA Inc., which is already included in the remuneration granted and paid. The other Management Board members did not receive any remuneration during their term for their activities in a subsidiary.

32.3. Supervisory Board remuneration

The remuneration system of the Supervisory Board is based on the Company's size, the duties and responsibilities of the Supervisory Board members, and the Company's economic situation and expected future development. The remuneration of the Supervisory Board is governed by section 14 of the Company's Articles of Association, which was amended on the Annual General Meeting on July 14, 2022. Accordingly, the Supervisory Board members receive a fixed annual remuneration, payable after the end of the fiscal year. The remuneration amounts to €60,000.00 per year, with the chairman receiving twice that amount and the deputy chairman receiving one and a half times this amount. An attendance fee of €500.00 are paid for Supervisory Board meetings. Supervisory Board members who are also members of the Audit Committee shall receive a remuneration in the amount of € 20,000.00 for each full financial year of membership of the Audit Committee in addition to the remuneration for their activities on the Supervisory Board as member, Chairman or Deputy Chairman. The Chairman of the Audit Committee shall receive one and a half times the remuneration. Members of the Supervisory Board receive reimbursement for their out-of-pocket expenses, however, as well as reimbursement of the value-added tax on their remuneration and out-of-pocket expenses. In addition, the Company bears the costs of D&O liability insurance for the Supervisory Board members. The Company does not grant any loans to the Supervisory Board members.

The annual remuneration for the Supervisory Board is as follows:

	For the years ended	
€ thousand	December 31, 2022	December 31, 2021
Dr. Manfred Krischke	151	80
Peter Müller-Brühl	121	50
Steve Geskos	101	32
Vincent Wobbe	67	19
Hans Koenigsmann	66	12
Dr. Gerd Gruppe	0	39
Thomas Hanke	0	16
Dr. Thomas Billeter	0	15
Total	**506**	**263**

Shareholdings of management and supervisory board members

Based on available information, the board members have the following shareholdings:

Number of shares	December 31, 2022	December 31, 2021	Change
Peter Müller-Brühl	4,445	4,445	0
Joachim Horwath	220,527	220,527	0
Bulent Altan	1,136	1,136	0
Stefan Berndt-von Bülow	174	174	0

33. Financial Instruments and Financial Risk Management

33.1. Financial instruments

The financial instruments were allocated to the following categories:

€ thousand	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Financial Assets (AC)				
Other financial assets	48	449	143	411
Cash and cash equivalents	10,238	0	48,143	0
Trade receivables	1,101	0	0	0
Total	**11,387**	**449**	**48,286**	**411**
Financial Assets (FVTPL)	**172**	**0**	**0**	**0**
Total Financial Assets	**11,559**	**449**	**48,286**	**411**
Financial Liabilities (FLAC)				
Trade and other payables	9,238	0	8,396	0
Lease liabilities	1,855	7,087	1,638	7,389
Other Financial Liabilities	14,530	249	37	0
Total Financial Liabilities	**25,623**	**7,336**	**10,071**	**7,389**

For other financial assets of the AC category, trade receivables, and cash and cash equivalents, it is assumed that their carrying amounts correspond to their fair values due to their short terms.

The carrying amount of non-current financial assets of the category AC approximates the fair value. These include bank balances and non-interest-bearing security deposits. The carrying amount approximates the fair value.

The carrying amount of current financial liabilities in the category FLAC, such as trade payables and other financial liabilities, corresponds to the fair value due to their short terms.

The carrying amount of non-current financial liabilities in the category FLAC, such as other financial liabilities approximate the fair value. Any difference between the carrying amount and the fair value is immaterial due to the fact, that are contracted close to the period end and therefore, reflect the market situation at period end. The lease liabilities are discounted in accordance with the requirements set out in IFRS 16.

As of December 31, 2022, the fair value of the prepayment option of the loan amounts to €172 thousand (December 31, 2021: €0). The prepayment option is recognized as other financial asset at FVTPL and was calculated by applying an option pricing model. This model uses the risk-free interest rate, the credit spread of the group and the interest rate volatility as material input factors. The volatility is considered as material unobservable input factor (Level 3).

The table below summarizes the impact on the fair values of Level 3 instruments by changing the significant unobservable input factors.

€ thousand	December 31, 2022 Profit or loss	
	increase	decrease
Interest rate volatility (movement +/- 5%)	5	-5
Credit Spread (movement +/- 1%)	-29	29

Changes in level 3 financial instruments in 2022 are shown in the following table:

€ thousand	Fair value January 1, 2022	Additions	Disposals	Gains/(losses) recognized in financial income /expenses	Fair value December 31, 2022
Other financial and non-financial assets	-	454	0	-282	172

The net gains/losses by measurement category are as follows:

2022 - € thousand			Other income and expense items, or gain and loss items
Financial assets	AC	Measured at amortized cost	0
Derivative Financial Assets	FVTPL	measured subsequently at fair value through profit or loss	-282

2021 - € thousand			Other income and expense items, or gain and loss items
Financial assets	AC	Measured at amortized cost	0
Derivative Financial Assets	FVTPL	measured subsequently at fair value through profit or loss	0

33.2. Financial risk management

The Group is exposed to the following risks from the use of financial instruments:

- Credit risk (see Note 33.2 a))
- Liquidity risk (see Note 33.2 b))
- Market risk (see Note 33.2 c))

Principles of risk management

The Management Board of the Company is responsible for the structure and control of the Group's risk management. For this purpose, the Management Board has appointed employees who are responsible for monitoring and developing the Group's risk management policies. The employees submit regular reports to the Management Board about their activities. The risk management policies and the risk management systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Capital risk management

The Group's primary financial objectives include increasing the enterprise value on a sustained basis, ensuring solvency at all times to safeguard the Company's ability as a going concern, and maintaining an optimal capital structure. Ensuring sufficient available liquidity is of key significance in this context. These objectives are managed by means of an integrated controlling concept, in which as part of the monthly closing process, management is provided with current indicators for various items of the financial statements and therefore also for changes in equity, and as the basis for necessary entrepreneurial decisions. The equity ratio as of December 31, 2022, was 34.6% (2021: 78.6%). The strong decrease of the equity ratio is due to the high consolidated net loss for the year of the financial year 2022 as well as the increase in other financial liabilities and other non-financial liabilities. The equity ratio was calculated as the ratio of total equity to total assets.

There have been no changes in the Group's overall capital risk management strategy relative to 2021.

a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's trade receivables and its cash and cash equivalents. The carrying amounts of the other financial assets and of contract assets correspond to the maximum credit risk exposure.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held) or the financial assets Is more than 90 days past due.

Impairments of financial assets are recognized in profit or loss as follows:

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the Group's Management Board also considers the factors that may influence the credit risk of the customer base, including the credit risk associated with the industries, countries, and regions in which the customers are operating.

Detailed disclosures concerning the concentration of revenue in particular areas/regions can be found in Note 5. Segment reporting and information on geographical areas.

The Group has a receivables management system that facilitates initial and ongoing analysis of customer creditworthiness individually. This analysis comprises external ratings, information by credit agencies (if available), industry information, and, in some cases, information provided by banks. Before the Group enters a business relationship, a salesperson has to submit this opportunity into a Sales Triage with the purpose to analyze all facets of the opportunity. Prior to entering into business relationship with a customer, a member of the sales department enters the opportunity in a "sales triage" tool which analyzes key facts of the opportunity. The Group limits its credit risk from trade receivables by determining a maximum.

The overall credit risk exposure is considered low.

Other financial assets

As of the reporting date, other non-current financial assets primarily include security deposits for rental agreements of the Mynaric Group. Other current financial assets include mainly receivables from suppliers.

The credit risk exposure resulting from receivables from security deposits is considered low since the deposits are held at separate accounts restricted from usage for other purposes.

Cash and cash equivalents

The estimated loss allowance for cash and cash equivalents was calculated based upon expected losses within 12 months and reflects the short terms to maturity. As of December 31, 2022, the expected credit loss is not material and therefore was not recognized.

b) Liquidity risk

Liquidity risk is the risk that the Group might not be able to settle its financial liabilities as contractually agreed by delivering cash or other financial assets. The Group's objective for liquidity management is to ensure that to the extent possible, sufficient cash funds are available at all times to be able to meet its payment obligations when due under both normal and stress scenarios, without having to bear any unsustainable losses or damage to the Group's reputation.

The Group uses activity-based cost accounting to calculate the costs of its product and services. This enables the Group to monitor cash requirements and to optimize cash inflows on capital employed.

Prudent liquidity risk management means being able to meet obligations when due at any time and, beyond that, maintaining sufficient cash and cash equivalents for unplanned expenditures. Management applies rolling forecasts to monitor cash and cash equivalents based upon expected cash flows. This is generally done centrally for the Group.

To ensure the Group's solvency and its ability as a going concern, Mynaric implemented an adapted profit and liquidity planning for the year 2023. To ensure the financing, the subsidiary, Mynaric USA Inc. ("Mynaric USA"), entered into a new five-year term loan credit agreement in the amount of $75.0 million, and Mynaric AG received an equity investment in the amount of €12.4 million on April 25, 2023. For further information refer to Note 36 ("Events after the reporting date").

The following table shows the remaining contractual terms of financial liabilities as of the reporting date, including estimated interest payments. The amounts presented are undiscounted gross amounts, including contractual interest payments but excluding the presentation of netting effects.

	December 31, 2022					
€ thousand	Carrying amount	less than 1 year	between 1 and 2 years	between 3 and 5 years	more than 5 years	Total
Trade and other payables	9,238	9,238	0	0	0	9,238
Lease liabilities	8,942	1,901	1,905	3,405	2,372	9,583
Other financial liabilities	14,779	14,628	98	180	0	14,906
Total	**32,959**	**25,767**	**2,003**	**3,585**	**2,372**	**33,727**

€ thousand	December 31, 2021 Carrying amount	less than 1 year	between 1 and 2 years	between 3 and 5 years	more than 5 years	Total
Trade and other payables	8,396	8,396	0	0	0	8,396
Lease liabilities	9,027	1,640	1,605	3,148	3,328	9,721
Other financial liabilities	37	37	0	0	0	37
Total	**17,460**	**10,073**	**1,605**	**3,148**	**3,328**	**18,154**

c) Market risk

Market risk is the risk that market prices, such as exchange rates, interest rates, or share prices, can change and thus can affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable ranges, while simultaneously optimizing yield.

Currency risk

The Group is exposed to transactional foreign currency risks to the extent that currencies in which sales and purchase transactions as well as receivables and lending transactions are denominated do not correspond to the functional currency of the Group companies. The functional currencies of the Group companies are the Euro and the US dollar. The transactions mentioned above are mainly denominated in Euro, USD, RMB, GBP and CHF.

Effects of currency risk

The following is a summary of quantitative information about the Group’s currency risk exposure provided to Group management:

December 31, 2022 € thousand	USD
Intercompany receivables	4,060
Intercompany long-term lendings	7,500
Cash and cash equivalents	3,868
Intercompany payables	55
Trade payables	142
Other liabilities	435
Net statement of financial position exposure	14,796

December 31, 2021 € thousand	EUR	USD
Intercompany receivables	0	4,384
Other financial assets	0	33
Cash and cash equivalents	0	32,713
Intercompany payables	6,494	503
Trade payables	0	83
Other liabilities	0	185
Net statement of financial position exposure	-6,494	36,359

Sensitivity analysis

A potential appreciation (depreciation) of EUR, USD against other currencies as of December 31 would have influenced the measurement of financial instruments denominated in foreign currency and would have affected equity and profit or loss in the amounts presented below. The analysis assumes that all other influencing factors, above all the interest rates, remain constant. The effects of the forecast sales and purchase transactions are ignored.

Effects on Group profit/loss				
	2022 Changes in exchange rates		2021 Changes in exchange rates	
€ thousand	Increase by 5%	Reduction by 5%	Increase by 5%	Reduction by 5%
EUR	0	0	-328	328
USD	740	-740	1,818	-1,818
Total	740	-740	1,490	-1,490

Effects on Group equity				
	2022 Changes in exchange rates		2021 Changes in exchange rates	
€ thousand	Increase by 5%	Reduction by 5%	Increase by 5%	Reduction by 5%
EUR	0	0	-325	325
USD	740	-740	1,818	-1,818
Total	740	-740	1,493	-1,493

The following exchange rates were used:

	Average rate		Spot exchange rate as of the reporting date	
	2022	**2021**	**2022**	**2021**
EUR/USD	0.95441	0.84819	0.93756	0.88292

Interest rate risk

As of the reporting date, the Group does have an embedded derivative related to the loan, which is included in the other financial and non-financial liabilities in the amount of €172 thousand (December 31, 2021: €0). This derivative is exposed to interest rate changes. A sensitivity analysis and their effects on the consolidated equity is disclosed in Note 33.1.

34. Contingent Liabilities, Commitments, and Other Financial Obligations

34.1. Contingent liabilities

Within the course of its ordinary activities, the Group may be involved in legal disputes from time to time. Based on the assessment of the Management Board as well as legal counsel, there are no claims beyond the litigation risks reported in the provisions that may be significant with regard to the Company's business and its financial position and performance.

34.2. Commitments

As in the previous year, there are no commitments arising under guarantees.

34.3. Other financial obligations

Other financial obligations as of December 31, 2022, are as follows:

€ thousand	up to 1 year	1 to 5 years	>5 years	Total
Incidental rental costs	381	2,438	2,480	5,299
Software and licenses	1,012	1,117	0	2,129
Other	262	0	0	262
Total	1,655	3,555	2,480	7,690

The significant amount in financial obligations from software and licenses includes an agreement for the use of SAP. The other obligations are primarily service contracts.

In addition, there are financial obligations from outstanding purchase orders for intangible assets and Property, plant and equipment in the following amounts:

€ thousand	December 31, 2022
Intangible assets	14
Property, plant and equipment	1,258
Total	1,272

35. Governing bodies of the Company

The Management Board consists of the following members:

- Bulent Altan, Co-CEO, Master of Science in Aerospace, Playa Vista, California
- Mustafa Veziroglu, Co-CEO, Master of Business Administration, Monte Sereno, California, USA (since August 2022)
- Stefan Berndt-von Bülow, CFO, graduate in business administration, Tutzing
- Joachim Horwath, CTO, Dipl,-Ing, Gilching

The Supervisory Board consists of the following members:

- Dr, Manfred Krischke, Chairman, CEO of Cloudeo AG
- Peter Müller-Brühl, Deputy Chairman, COO of GreenCom Networks AG
- Steve Geskos, member of the Supervisory Board, Managing Director Rose Park Advisors
- Hans Königsmann, member of the Supervisory Board, Former vice president of flight reliability at SpaceX
- Vincent Wobbe, member of the Supervisory Board, Head of Public Markets Investments Apeiron Investment Group

36. Events after the reporting date

Changes in the Management Board

Mustafa Veziroglu has been appointed as Co-CEO with Bulent Altan for the Mynaric AG as of February 1, 2023.

Credit agreement 2023

On April 25, 2023, our subsidiary, Mynaric USA Inc. ("Mynaric USA"), entered into a new five-year term loan credit agreement with two funds affiliated with a U.S.-based global investment management firm (the "Lenders"), and Alter Domus (US) LLC, as administrative agent. Pursuant to the credit agreement 2023, the lenders agreed to provide Mynaric USA with a secured term loan facility in an aggregate principal amount of $75 million.

Mynaric USA drew the full amount of the facility (subject to a 1% original issue discount) on the day of the execution of the credit agreement 2023. The loans under the credit agreement 2023 bear interest at a rate equal to Term SOFR for a 3-month tenor (subject to a 2% floor), plus a margin of 10%, and for the first two years, interest in an amount equal to 3% can be paid in kind by increasing the principal amount of the loans. In addition, the credit agreement 2023 requires Mynaric USA to pay an exit fee to the Lenders at the time the loans are repaid, prepaid or accelerated. The exit fee is calculated as 200% of "invested capital" less the cumulative amount of principal repayments and cash interest payments on the loans received prior to the exit date, with "invested capital" defined to mean $74,250,000 plus the aggregate amount by which the principal amount of the loans is increased as a result of the payment of interest in kind. The exit fee percentage would be reduced to 185% if the exit fee is triggered prior to the fourth anniversary of the drawdown date and 180% if triggered prior to the third anniversary of the drawdown date. In addition, certain partial mandatory prepayments require the payment of a portion of the exit fee prior to the full repayment of the facility.

The loans under the credit agreement 2023 are guaranteed by the Company and each of its subsidiaries and are secured by a security interest in substantially all of the assets of the borrower and each of the guarantors.

A portion of the proceeds of the loans were used to repay in full the Company's existing indebtedness under the credit agreement entered into in 2022 and for fees and expenses associated with entering into the credit agreement 2023, the remaining amount will be used for general corporate purposes.

The credit agreement 2023 contains customary events of default, as well as customary affirmative and negative covenants, including covenants that limit the ability of the borrower and the guarantors to incur indebtedness or liens, make investments, sell assets, pay dividends or engage in mergers or other corporate transactions. Each such covenant is subject to customary exceptions and qualifications. In addition, the credit agreement 2023 contains financial maintenance covenants, including a covenant requiring the Company not to exceed a specified consolidated leverage ratio (as calculated in accordance with the credit agreement) as of the end of any quarter commencing with the quarter ending March 31, 2025 and a covenant requiring the Company to maintain minimum average weekly liquidity of $10 million during each quarter, commencing with the quarter ending June 30, 2023.

Equity Investment

In connection with the credit agreement 2023, on April 25, 2023, the Company and two affiliates of the Lenders (the "Subscribers") entered into a subscription agreement, pursuant to which the Subscribers subscribed for 401,309 and 163,915 new ordinary registered shares, respectively. The placement price for the new shares was €22.019 per ordinary share, resulting in aggregate proceeds raised of €12.4 million. On the same day, the management board of the Company resolved, with the approval of the supervisory board, to increase the Company's share capital from €5,668,391.00 to €6,233,615.00 by issuing 565,224 new ordinary registered shares by partially utilizing the Authorized Capital 2022/I and with the exclusion of the shareholders' subscription rights. We applied to the commercial register for the registration of the capital increase on April 27, 2023. Upon effectiveness of the capital increase, the Subscribers will own approximately 6.4% and 2.6%, respectively, of Mynaric's total share capital.

RSU Program 2022

In November 2022, a new RSU program agreement was set up for 262,147 subscription rights. The subscription right will be granted to selected employees of the Group of restricted stock units (RSUs). Under the RSU Program 2022, each beneficiary will be granted a specific Euro amount, which will be converted into a certain number of RSUs, which is dependent on the six-month average closing price of the shares or share certificates.

RSUs will vest in instalments over a four-year vesting period as follows:

- 25% of the RSUs vest 12 months after the grant date;
- The remaining unvested RSUs will vest in equal amounts each quarter thereafter.

At the discretion of the Company, vested RSUs are settled either (i) by way of new shares utilizing the Authorized Capital 2022/II (as described under "Description of Share Capital and Articles of Association—Conditional Capital") or (ii) by way of a cash settlement.

The granting of RSUs from the RSU Program 2022 was classified and measured as equity-settled share-based payment in accordance with IFRS 2.

The program was approved by the management board in February 2023 and by the supervisory board in March 2023.

Gilching, May 11, 2023

The Management Board

Bulent Altan Co-CEO	Mustafa Veziroglu Co-CEO	Joachim Horwath Founder & CTO	Stefan Berndt-von Bülow CFO

Responsibility Statement

Responsibility statement by the company's legal representatives

"To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the Interim Group Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Interim Group Management Report includes a true and fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year."

Gilching, May 11, 2023

The Management Board

Bulent Altan Co-CEO	Mustafa Veziroglu Co-CEO	Joachim Horwath Founder & CTO	Stefan Berndt-von Bülow CFO

Independent Auditor's Report

To Mynaric AG, Gilching, Germany

Opinions

We have audited the consolidated financial statements of Mynaric AG, Gilching, Germany and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the Consolidated statements of profit/loss and other comprehensive income/loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2022 to December 31, 2022, and 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 for the financial year from January 1, 2022 to December 31, 2022.

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

• the accompanying consolidated financial statements comply, in all material respects, with the requirements of the IFRS, as adopted by the EU and give a true and fair view of the assets, liabilities and financial position of the Group as of December 31, 2022 and of its financial performance for the financial year from January 1, 2021 to December 31, 2022,

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 Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], 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 Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Material Uncertainty Related to Going Concern Assumption

We draw attention to Note 2 of the Notes of the consolidated financial statements as well as to section 5.1 e) of the Group Management Report, which indicates that the Company incurred a net loss of EUR 73.8 million while net current assets of group amount to negative EUR 12.8 million as of balance sheet date. As of the date of the authorization of these consolidated financial statements the Group has EUR 52,1 million in cash and cash equivalents. Based on the Group's liquidity position on the date of the authorization of these consolidated financial statements, and management's forecast of sources and uses of cash and cash equivalents, management believes that it has sufficient liquidity to finance its operations over at least the next twelve months from the date of authorization of these consolidated financial statements.

However, there can be no assurance that the revenues and the corresponding customer payments will be generated in the amount as expected or at the time needed. A shortfall of revenues and of the corresponding customer payments compared to the budget could require additional external financing to meet its current operational planning. In such a situation, if the Group should be unable to obtain such additional financing or take other timely actions in response to such circumstances, for example significantly curtailing its current operational budget in 2024, it may be unable to continue as a going concern. As stated in Note 2 of the consolidated financial statements and in section 5.1 e) of Group Management Report, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management and the Supervisory Board are responsible for the other information. The other information comprises the information in the annual report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit,

or

- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with the requirements of the IFRS, as adopted by the EU, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in accordance with these requirements. In addition, management is responsible for such internal control 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, management is 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, provided no actual or legal circumstances conflict therewith.

Furthermore, management is 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, management is 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 and 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 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 Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism 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 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 opinion on the effectiveness of these systems.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made and related disclosures.

• Conclude on the appropriateness of management's 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 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 of the IFRSs, as adopted by the EU.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express 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 opinions.

• Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with law, and the view of the Group's position it provides.

• Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 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, May 11, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hutzler Wirtschaftsprüfer [German Public Auditor]	Vedernykova Wirtschaftsprüfer [German Public Auditor]