2023 ANNUAL GROUP REPORT

Mynaric AG

mynaric

ANNUAL GROUP REPORT 2023

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REPORT OF THE MANAGEMENT BOARD

Report of the Management Board

Dear shareholder,

Mynaric's strategic focus on manufacturing laser communication has seen us allocate substantial resources to proactively developing serial manufacturing capabilities - positioning us as a prominent provider of scalable laser free space optical communication products ahead of market trends. The foresight of our approach has proven highly advantageous, particularly in 2023, as we secured substantial market share within the influential US government sector. This market is at the forefront of embracing laser communication capabilities within proliferated low Earth orbit (LEO) satellite constellations. The fiscal year of 2023 witnessed remarkable achievements in key performance indicators, contributing to the sustained growth of our business, and solidifying our prominent position in the free space optical technology industry. Notable accomplishments encompassed securing multiple customer wins and elevating our year-end backlog of optical communication terminals to an unprecedented 794 units - a significant rise from the 256 units recorded at the close of 2022. Furthermore, our financial success was evident in the record-setting cash-in derived from customer contracts, particularly milestone payments within ongoing programs. In 2023, this figure reached an impressive EUR 49.2 million, a substantial increase compared to the EUR 18.3 million recorded in 2022. These achievements collectively signify a year of excellence and heightened opportunities for our organization.

The majority of optical communications terminals within the backlog as of December 31, 2023, pertain to deliverables for key defense industry clients associated with government-funded satellite constellations. These deliveries are scheduled across 2024, 2025, and extending into 2026, providing Mynaric with a robust outlook for revenue and cash flow from these programs.Having initiated deliveries in early 2024, and with our ongoing committed customer programs, we are actively gearing up to significantly boost our production capacity throughout the remainder of the year. In 2024 our focus is on delivering industrialized laser communication products at a large scale, aligning precisely with the objectives we set our company at our inception. We are confident in our ability to secure further customer orders and capitalize on the extensive opportunities that lie ahead for decades to come. At the heart of Mynaric is our focus on technology and the scalability of our manufacturing base, allowing us to harness the current market momentum to its maximum potential. Our trajectory aligns with providing customers with unparalleled communication capabilities, empowering them to establish expansive, interconnected networks, and turning our vision of eradicating connectivity barriers into a tangible reality.

We sincerely thank our dedicated employees, valued customers, supportive suppliers, and committed shareholders for their unwavering support as we embark together on the journey into the industrial age of laser communication.

Sincerely,

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

REPORT OF THE SUPERVISORY BOARD

Report of the Supervisory Board

Dear Shareholders,

A dynamic and exciting 2023 financial year for Mynaric AG lies behind us. At all times during the 2023 reporting year, the Supervisory Board of Mynaric AG fully performed the supervisory and advisory duties incumbent upon it in accordance with the law, the Articles of Association and the rules of procedure. In particular, the Supervisory Board advised the Management Board on the management of the company and monitored management measures. The Supervisory Board was always involved in all decisions of fundamental and strategic importance in a timely and appropriate manner. The Management Board informed the Supervisory Board regularly, promptly and comprehensively about all important issues relating to current business development, the earnings and financial situation, corporate planning, the strategic development of the company and changes in the risk situation. Events of particular significance for the situation and development of the company or its subsidiaries were always discussed in a timely manner. All measures taken by the Management Board that require the approval of the Supervisory Board were reviewed, discussed and decided upon. Cooperation between the Management Board and Supervisory Board was trusting and constructive in every respect during the reporting year.

The work in the 2023 financial year was also based on the meetings of the Supervisory Board as well as oral and written reports from the Management Board to the Supervisory Board. After thorough examination and consultation, the Supervisory Board voted on the reports and proposed resolutions of the Executive Board where required by law, the Articles of Association or the Management Board's rules of procedure. 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 informed himself about the current business situation and important events. The committees of the Supervisory Board (Audit Committee, Remuneration Committee, Corporate Governance and Nomination Committee) also coordinated regularly and held meetings as required.

Supervisory Board meetings and main topics of discussion

The Supervisory Board held a total of 13 meetings in the 2023 financial year. Of these, two meetings were held in person and eleven meetings were held as video conferences. In addition, eleven resolutions were passed by circular resolution in the reporting year.

Regular discussions at the Supervisory Board meetings focused in particular on 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 the terminals ordered. Furthermore, the Supervisory Board appointed Mustafa Veziroglu as Co-Chief Executive Officer alongside Bulent Altan with effect from February 1, 2023 and resolved to conclude a termination agreement with the former Co-Chief Executive Officer Bulent Altan, who moved to the company's Supervisory Board. The Supervisory Board also regularly dealt with the remuneration of the members of the Management Board and the long-term variable remuneration programs for the employees of the company and its affiliated companies.

In particular, the Supervisory Board dealt with the following topics in the 2023 financial year:

- Assessment of the achievement of the corporate goals 2022
- Appointment of Mustafa Veziroglu as additional Chairman of the Management Board (Co-CEO) of the company and corresponding amendment of his employment contract and the rules of procedure of the Management Board
- Conclusion of a termination agreement with the previous Chairman of the Management Board and Co-CEO Bulent Altan on the occasion of his move to the company's Supervisory Board
- Adoption of the budget for the 2023 financial year
- Discussion of the company's business situation and plans for the 2024 financial year
- Resolution on the terms and conditions of the 2023 share option plan and determination of the share options to be granted to the members of the Management Board under the 2021, 2022 and 2023 share option plans
- Consultation and resolution on debt financing and capital increase with exclusion of subscription rights
- Approval of the annual financial statements for the 2022 financial year
- Resolution on the agenda and draft resolutions for the 2023 Annual General Meeting (including the 2022 remuneration report) and nominations for the (re-)election of members of the Supervisory Board
- Resolution on a payment into the capital reserve of Mynaric Lasercom GmbH
- Election of Bulent Altan as Chairman of the Supervisory Board and Peter Müller-Brühl as Deputy Chairman of the Supervisory Board and renewed formation and composition of the committees at the constituent meeting of the Supervisory Board following the 2023 Annual General Meeting
- Resolution on the filing of an F-3 Registration Statement with the Security and Exchange Commission in the USA
- Resolution on the relocation of the registered office of Mynaric AG and its subsidiaries from Gilching to Munich

Activities of the committees of the Supervisory Board

The Audit Committee met a total of three times in the 2023 financial year, each time in the form of a video conference. All members of the Audit Committee attended all meetings of the Audit Committee. In 2023, the Audit Committee again dealt with key issues relating to the accounting processes and the Group's internal control and management system. The auditor of the Mynaric Group, KPMG AG Wirtschaftsprüfungsgesellschaft, attended all three meetings of the Audit Committee.

The Corporate Governance and Nomination Committee met once in the 2023 financial year in the form of a video conference. All members of the Corporate Governance and Nomination Committee took part in the meeting, which focused on the nomination of Supervisory Board candidates.

The Remuneration Committee did not meet in the 2023 financial year.

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 eleven of the fifteen meetings. Peter Müller-Brühl and Vincent Wobbe were excused from the Supervisory Board meetings on February 22, 2023 and March 21, 2023 respectively. Dr. Hans Königsmann was also excused from the Supervisory Board meetings on 19 April 2023 and 27 September 2023.

In the reporting year, no conflicts of interest arose for Supervisory Board members 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 (the "Code"). The declaration on corporate governance pursuant to Section 289f of the German Commercial Code (HGB), including the detailed corporate governance report, and the declaration on corporate governance of the Group pursuant to Section 315d HGB can be viewed on the company's website under "Investors > Corporate Governance >" and can be found in the annual report.

In addition, the implementation of the Code's recommendations by the company was discussed with the Management Board and in three justified cases a decision was made to deviate from the Code's recommendations. On the basis of these discussions, the Management Board and Supervisory Board issued the annual declaration of conformity on April 26, 2023. The declaration of compliance was also updated on October 10, 2023. With the update, a further justified deviation from the recommendations of the Code was declared.

The current version of the declaration of compliance can be found in the annual report. It is also permanently available on the company's website under "Investors > Corporate Governance".

changes in the composition of the supervisory board

The term of office of all Supervisory Board members ended at the end of the 2023 Annual General Meeting. The 2023 Annual General Meeting elected Bulent Altan and Margaret Abernathy as new members and Dr. Manfred Krischke, Peter Müller-Brühl and Dr. Hans Königsmann as new members of the Supervisory Board. The elections took place from the end of the 2023 Annual General Meeting and until the end of the Annual General Meeting that resolves on the discharge of the respective member of the Supervisory Board for the fourth financial year from the beginning of the term of office, not including the financial year in which the term of office begins (i.e. presumably until the end of the 2028 Annual General Meeting).

The Supervisory Board elected Bulent Altan as the new Chairman, replacing Dr. Manfred Krischke, and Peter Müller-Brühl as Deputy Chairman of the Supervisory Board. Dr. Manfred Krischke, Peter Müller-Brühl and Margaret Abernathy were also elected to the Audit Committee, with Dr. Manfred Krischke taking over as Chairman. Bulent Altan, Peter Müller-Brühl and Margaret Abernathy were elected as members of both the Remuneration and Nomination Committees, with Bulent Altan taking over the chairmanship of both committees.

Dr. Hans Königsmann has resigned from his office as a member of the Supervisory Board with effect from the end of December 31, 2023.

There were no other changes to the composition of the Supervisory Board in the 2023 financial year.

Audit of the annual financial statements and the consolidated financial statements

The company's auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, audited the annual financial statements and the consolidated financial statements as well as the Group management report for the 2023 financial year and issued an unqualified audit opinion in each case. The Supervisory Board received the financial statement documents and the auditor's reports in good time.

The Supervisory Board examined the annual financial statements and the consolidated financial statements for the 2023 financial year 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. The consolidated and annual financial statements prepared by the Management Board and audited by the auditor were approved by the Supervisory Board on July 12, 2024. The annual financial statements are thus adopted in accordance with Section 172 sentence 1 AktG.

THANKS

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 financial 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.

The Supervisory Board would also like to thank Bulent Altan for his commitment and contribution as a member of the Executive Board.The Supervisory Board would also like to thank the departing members of the Supervisory Board for their commitment and contribution.

July 12, 2024
For the Supervisory Board

Bulent Altan
Chairman of the Supervisory Board

MANAGEMENT REPORT

Business Model

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Group Management Report for the year ended December 31, 2023

1. Business Model

The Mynaric group ('Mynaric' or 'Group') consists of the parent company Mynaric AG ('Company') 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 and its administrative office at Bertha-Kipfmüller-Straße 2-8 in 81249 Munich. 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 Mynaric is the development, manufacture, sale, and operation of laser communication network equipment, software, systems, and solutions, particularly for aerospace applications and related products. Mynaric 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 broadly balanced, with inflation moderating and steady growth opening a path to a soft landing according to the World Economic Outlook Update of January 2024 by the International Monetary Fund (IMF)[1]. Inflation in many parts of the world remains stubbornly high but is moderating. Financial conditions in most regions remain somewhat tight with Central Banks holding interest rates at elevated levels relative to two years ago. Adding incremental risk to global economic growth are turmoil in the Middle East, which have caused disruptions to global supply chains, and Russia's ongoing invasion of Ukraine.

Despite these factors the IMF increased their baseline forecast for total global GDP growth from 2.9% for 2024 (reported in their October 2023 update) to a current expectation of 3.1%. The IMF expects total global GDP growth to accelerate slightly in 2025 to 3.2%. The balance between looser fiscal policy and possible commodity supply shocks are the key elements impacting the forecast.

The IMF global headline inflation is expected to fall to 5.8 percent in 2024 and to 4.4 percent in 2025. The 2025 forecast was revised lower from previous forecasts. Upside inflation surprises have been most widespread among advanced economies, with greater variability in emerging market and developing economies.

In Germany, the IMF expects GDP growth to in 2024 to rebound from the decrease of -0.3% reported for 2023 to growth of 0.5% in 2024. In the United States, the IMF expects the GDP growth to moderate from the 2.5% reported for 2023 to 2.1% in 2024.

[1]: Source: https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024, extracted at 01.02.2024

2.2. Industry environment

Most companies in the aerospace industry performed well in 2023 despite lingering global inflation and relatively tight financial conditions in most regions. The turmoil in the Middle East adding more risk to global supply chain and Russia's continued invasion of Ukraine providing further confirmation that the industry remains somewhat insulated from short-term economic turmoil, primarily due to the fact that significant business is related to long-term government programs. These programs are still expected to move forward but the on-going budget debate in the US does present some near-term risk to program funding.

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. However, the U.S. Department of Defense (DoD) continues to operate under a continuing resolution and has yet to finalize its fiscal year 2024 budget. The proposed DoD budget for fiscal year 2024 of $842 billion is an increase of 3.2% percent from the 2023 level. includes $30.0 billion for the U.S. Space Force and the Space Development Agency, which is more than $3.7 billion more than what was enacted in fiscal year 2023 and the largest increase in the Agency's history.[2, 3] This budget for space-based technology is larger than the budget request for NASA. Investment in government-funded space-based networks is not limited to the United States. Europe continues to move forward with its IRIS[2] constellation. Although the scheduled development of the he multi-orbital constellation of hundreds of satellites has slipped it is still expected to provide resilient services covering critical infrastructure protection, situational awareness, and support for external actions and crisis management.[4]

On the commercial space constellation side, 2023 saw significant movement towards the deployment of other constellations. In August 2023, Telesat announced that its Lightspeed constellation is now fully funded with roughly US$1.6 billion of the cost to build the network funded by Telesat equity and approximately US$2 billion would come from Canadian federal and provincial financing. Telesat contracted MDA to build 198 satellites for the constellation with plans to provide initial polar and global services by 2027.[5] In September 2023, Eutelsat completed the acquisition of OneWeb, which was announced in July 2022. According to SpaceNews, the merger enables Eutelsat and OneWeb to move forward with joint plans for a $4 billion second-generation (Gen2) LEO network slated to enter service by early 2028.[6]

Over the past decade-plus the number of active satellites in orbit has continued to increase significantly from around 950 in late 2010 to 2,000 satellites in late 2019 to around 5,500 satellites as of mid-2022 to more than 10,000 satellites as of May 2024[7, 8, 9]. The number of communication constellation satellites increased by more than a factor of sixteen between late 2019 and 2023 driven significantly by the continued satellite deployments as part of commercial mega-constellations.

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[2]: Source: https://www.whitehouse.gov/wp-content/uploads/2023/03/budget_fy2024.pdf, extracted at 14.06.2024
[3]: Source: https://www.defense.gov/News/News-Stories/Article/Article/3618367/congress-passes-fiscal-2024-defense-spending-bill-pay-raise-for-service-members/, extracted at 14.06.2024
[4]: Source: https://www.spaceintelreport.com/eu-iris2-constellation-schedule-slips-system-level-bids-now-due-mid-feb-selecting-newspace-contractors-will-take-months/, extracted at 14.06.2024
[5]: Source: https://www.telesat.com/press/press-releases/telesat-contracts-mda-as-prime-satellite-manufacturer-for-its-advanced-telesat-lightspeed-low-earth-orbit-constellation/, extracted at 14.06.2024
[6]: Source: https://spacenews.com/eutelsat-completes-multi-orbit-oneweb-merger-after-shareholder-vote/, extracted at 14.06.2024
[7]: Source: https://www.ucsusa.org/resources/satellite-database, extracted at 14.06.2024
[8]: Source: https://nanoavionics.com/blog/how-many-satellites-are-in-space/, extracted at 14.06.2024
[9]: Source: https://thespacevortex.com/2024/05/how-many-satellites-are-orbiting-earth-in-2024/, extracted at 14.06.2024

3. Business Performance

Mynaric partially attained its operational objectives for the fiscal year 2023, 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 2023, including winning multiple significant orders for CONDOR Mk3 optical communications terminals in the government market. In addition to these operational milestones, Mynaric secured a new credit line and capital raise to support its business plan.

In January, Mynaric announced that a new undisclosed US-based customer ordered US$24 million of CONDOR Mk3 optical communication terminals. The order foresaw payment milestones in the first and second half of 2023. The group expects deliveries in 2024.

In April, Mynaric signed a financing of in total EUR 80.6 million to refinance existing indebtedness and support our further growth with funds affiliated with a U.S.-based global investment management firm. Under the arrangement, the Lenders provided a US$75 million (approximately EUR 68.2 million) secured five-year term loan facility and two affiliates of the lender acquired an aggregate equity stake of approximately 9.1% (at the day of this group report) in Mynaric AG for EUR 12.4 million.

In May, Mynaric announced the sale of CONDOR Mk3 terminals to Loft Federal, a subsidiary of Loft Orbital. Loft Federal was selected to produce, deploy and operate NExT – the Space Development Agency's (SDA) Experimental Testbed and will use the terminals to support secure and reliable communications. Terminal deliveries are primarily scheduled for the first half of 2024. The order announced today was received in late 2022 and was already accounted for in the previously disclosed optical communications terminal backlog as of December 31, 2022.

In July, Mynaric announced it was awarded the top honor in the "Best Submitted Idea" in the SME/Scale-up category at the INNOspace Masters Highlight Conference hosted by the German Space Agency of the DLR. This award recognizes pioneers and innovative ideas to advance the next generation of space technology.

In August, announced that it has been selected by the Space Development Agency (SDA) to contribute to an optical ground terminal demonstration. The research and development program's mission, slated for 2025, is to demonstrate the successful connection between various space-based optical communications terminals (OCTs) and an optical ground station designed by Mynaric.

In September, Mynaric announced it passed an important product milestone of its CONDOR Mk3 optical communications terminals. After an intensive test campaign, CONDOR Mk3 passed optical verification and phase 1 of interoperability tests in context of the Tranche 1 program of the Space Development Agency (SDA) confirming the product's compliance with the SDA's Optical Communications Terminal (OCT) Standard.

In November, Mynaric announced that it entered into an additional definitive agreement with a undisclosed U.S.-based customer for the delivery of CONDOR Mk3 optical communication terminals. The order has a value of around US$6 million, with payment milestones in Q4 2023 and 2024 and product deliveries in the second half of 2024. Also in November, Mynaric announced it had entered into a definitive agreement with Northrop Grumman for the delivery of optical communication terminals in the framework of the U.S. government's Space Development Agency Tranche 2 Transport Layer-Beta space vehicles program. The contract with a value of around US$25 million foresees payment milestones which started in 2023 and are expected to continue throughout 2024 and 2025 with product deliveries beginning in 2024 and continuing until 2026. Further in November, Mynaric announced it had secured another contract with a previous U.S.-based customer for its CONDOR Mk3 optical communications terminals. The contract, with a value of around US$30 million, foresaw payment milestones starting in 2023 and continuing throughout 2024 and 2025 with product deliveries beginning in mid-2024 and continuing into 2025.

In December, Mynaric announced it had entered into a definitive agreement with Northrop Grumman for the delivery of CONDOR Mk3 optical communication terminals in the framework of the U.S. Government's Space Development Agency Tranche 2 Transport Layer-Alpha space vehicles program. The contract, with a value of around US $33 million, foresaw payment milestones starting in 2024 and continuing throughout 2025 with product deliveries beginning in 2024 and continuing until 2026.

3.2. Financial Targets

The table below shows these key financial performance metrics including our other performance metrics revenue and operating result for the years ended December 31, 2023, and 2022 together with the forecast for the financial year 2023:

	2022 Actuals	2023 Actuals	2023 Forecast
Optical Communications Terminal Backlog (Units)	256	794	significant increase
Cash-in from Customer Contracts (€ million)	18,4	49,2	significant increase
Revenue (€ million)	4,4	5,4	significant increase
Operating result (€ million)	-73,8	-79,2	moderate decrease

Driven by mainly new contracts with existing customer, our **Optical Communications Terminal Backlog**[10] increased significantly from 256 terminal deliverables as of December 31, 2022, to 794 terminal deliverables as of December 31, 2023. This represents a significant increase as forecasted by the management.

The table below shows the development of the order backlog for the financial year 2023:

Order Backlog	2023
Beginning of fiscal year	256
Order Intake	544
Deliveries	-3
Other	-3
End of fiscal year	794

In light of the increase in optical communications terminal backlog **Cash-in from Customer Contracts**[11] amounted to €49.196 thousand for the year ended December 31, 2023, compared to €18.383 thousand for the year ended December 31, 2022. This represents a significant increase as forecasted by the management.

The table below shows the reconciliation of the statement of financial position lines to the Cash-in from Customer Contracts for the year ended December 31, 2023:

		Cash changes	Non-cash changes				
€ thousand	December 31, 2022	Cash-in	Revenue recognition 2023	Other operating income 2022	Other	FX	December 31, 2023
Trade receivables	1.101	1.107	644	0	-337	-1	300
Other financial and non-financial assets	267	3.378	0	3.299	0	0	188
Contract liabilities	15.297	44.711	4.746	0	5.078	-1.421	58.919
Total		**49.196**	**5.390**	**3.299**			

The cash-in relating to other financial and non-financial assets in the amount of € 3.378 thousand (2022: €1,881 thousand) refer to governmental funded projects. Cash-in on contract liabilities and trade receivables represent the majority of cash-ins and relate to contracts with customers, which will result in revenue in the future.

[10]: **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.

[11]: **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.

Mynaric recorded **Revenue** of €5.390 thousand during the year ended December 31, 2023, compared to €4.422 thousand during the year ended December 31, 2022. This represents a moderate increase, which is below the forecast for the financial year 2023. The main reason for this is the delay in the ramp-up in the production due to technical challenges. For further information refer to chapter “4.1 – Earnings”.

The **Operating Result** with a loss of €79.163 during the year ended December 31, 2023 is around the operating result during the year ended December 31, 2022, with a loss of €73.790 thousand. A moderate decrease was forecasted.The reason for this is also the delay in the ramp-up in the production due to technical challenges. For further information refer to chapter “4.1 – Earnings”.

Mynaric has achieved almost all financial targets and has managed to position itself with numerous and large contracts as a market leader in the laser communication market with numerous and large orders based on its own investigations and market analyses of all publicly known SDA orders in terms of the number of terminals to be delivere. Therefore, the management is satisfied with the performance in the financial year 2023.

4. Group Financials

4.1. Earnings

a) Group-Earnings

Revenue increased by €968 thousand from €4.422 thousand to €5.390 thousand.

€ thousand	For the year ended		
	December 31, 2023	December 31, 2022	Change in %
REVENUE SOURCE			
Products	1.420	1.783	-20,3%
Services	3.962	2.589	53,0%
Operating lease income	8	50	-84,1%
Total	**5.390**	**4.422**	**21,9%**
GEOGRAFIC REGION			
USA	5.390	4.422	21,9%
Total	**5.390**	**4.422**	**21,9%**
TIMING OF REVENUE RECOGNITION			
Products transferred at point in time	1.420	1.783	-20,3%
Service transferred over time	462	0	n/a
Services recognized at point in time	3.500	2.589	35,2%
Operating lease income recognized over time	8	50	-84,1%
Total	**5.390**	**4.422**	**21,9%**
Total revenues from contracts with customers	**5.390**	**4.422**	**21,9%**
Revenue reported in consolidated statements of profit/(loss)	**5.390**	**4.422**	**21,9%**

The increase was mainly the result from provided preliminary design review services related to CONDOR MK3. All revenues during the year ended December 31, 2023, were generated exclusively in the segment SPACE.

The **changes in inventories of finished goods and work in progress** decreased by €1.536 thousand to €776 thousand (2022: increase of €760 thousand).

€ thousand	For the year ended		
	December 31, 2023	December 31, 2022	Change in %
Increase/(decrease) in inventories of work in progress	-755	2.100	-136,0%
Increase/(decrease) in inventories of finished goods	786	542	45,0%
Write-downs	-806	-1.882	-57,2%
Total	**-776**	**760**	**-202,1%**

The decrease is primarily due to the production of CONDOR Mk3 engineering models and write-downs of HAWK related goods. The decrease in work in progress was mostly offset by the increase in finished goods. Both changes mainly relate to the segment SPACE. The write-downs during the year ended December 31, 2023, relate to goods based on the existing AIR Technology in the segment AIR, which was impaired during the financial year (refer to chapter "4.1 a) Depreciation, amortization and impairment"). The write-downs during the year ended December 31, 2022, primarily relate to CONDOR Mk2 and CONDOR MK1 in the segment SPACE, which were written down to their recoverable amounts. This is done mainly due to 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 47,8% to €818 thousand (2022: €1.567 thousand).

€ thousand	For the year ended		
	December 31, 2023	December 31, 2022	Change in %
Development costs	0	968	-100,0%
Property, plant and equipment	818	599	36,6%
Total	**818**	**1.567**	**-47,8%**

No development costs were capitalized during the year ended December 31, 2023, as the development of the base technology for CONDOR MEO was stopped during the year ended December 31, 2022. The capitalized costs of Property, plant and equipment mainly relate to capitalized HAWK terminals used for testing purposes, which were later on impaired (refer to chapter "4.1 a) Depreciation, amortization and impairment").

Other operating income increased by 52,5% from €2.376 thousand to €3.624 thousand.

€ thousand	For the year ended		
	December 31, 2023	December 31, 2022	Change in %
Income from grants	3.299	2.091	57,8%
Miscellaneous operating income	325	285	13,9%
Total	**3.624**	**2.376**	**52,5%**

This development is primarily due to income from grants from government-funded projects especially with the DARPA and ESA. The main projects are described in chapter “3.1 Company milestones”. The cash-in received on all those projects is €3.378 thousand during the year ended December 31, 2023.

Cost of materials increased by 8,7% from €15.434 thousand to €16.771 thousand.

€ thousand	For the year ended		
	December 31, 2023	December 31, 2022	Change in %
Raw materials and consumables used	14.492	13.007	11,4%
Costs for services purchased	2.279	2.427	-6,1%
Total	**16.771**	**15.434**	**8,7%**

Cost for raw materials and consumables used increased by 11,4%. This was mainly caused by write downs, raw materials and consumables used for the production of CONDOR terminals and further improvements of the space products. Raw materials and consumables used include write down in the amount of €9.569 thousand (2022: €5.601 thousand). The write-downs during the year ended December 31, 2023 mainly relates to raw materials attributable to HAWK terminals (refer to chapter "4.1 a) Depreciation, amortization and impairment"). The write-downs during the year ended December 31, 2022 mainly relate to materials attributable to CONDOR Mk1 and CONDOR Mk2.

The cost for service purchased increased by 6,1% due to increased costs for external processing of certain components used in the production process.

Personnel costs decreased by 2,2% from €37.410 thousand to €36.604 thousand.

€ thousand	For the year ended		
	December 31, 2023	December 31, 2022	Change in %
Wages and salaries	27.602	26.318	4,9%
Social security contributions, pensions and other employee benefits	5.031	4.959	1,4%
Share-based payments	3.972	6.133	-35,2%
Total	**36.604**	**37.410**	**-2,2%**

The average number of employees remained relatively unchanged at 301 full-time equivalents for the year ended December 31, 2023, compared to 300 full-time equivalents for the year ended December 31, 2022. The increase of 4.9% were mostly due to salary adjustments. 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 programs (the “RSU Program”) implemented in 2021 and 2022 (2023: €1.280 thousand, 2022: €3.832 thousand) and other stock option programs (2023: €1.942 thousand, 2022: €2.300 thousand). The decrease in share-based payments related to restricted stock units program is the result of employee turnover resulting in a net reduction of unvested RSUs and a lower cost of recently issued RSUs due to the lower share price. The decrease of stock option program related shared based payments is mainly due to less granted and a comparatively high number of forfeited stock options during the year ended December 31, 2023.

Depreciation, amortization and impairment increased by 45,5% from €7.989 thousand to €11.622 thousand.

€ thousand	For the year ended		
	December 31, 2023	December 31, 2022	Change in %
Amortization of intangible assets	1.481	1.545	-4,1%
Depreciation of property, plant and equipment	3.738	3.254	14,9%
Depreciation of right-of-use assets	1.923	1.659	15,9%
Total	**7.142**	**6.458**	**10,6%**
Impairment of intangible assets	3.308	1.531	116,1%
Impairment of property, plant and equipment	1.172	0	n/a
Total	**4.480**	**1.531**	**192,6%**
Total depreciation, amortization and impairment	**11.622**	**7.989**	**45,5%**

The increase in depreciation of property, plant and equipment was driven by investments in the expansion of our development and manufacturing infrastructure, including investments in the Oberpfaffenhofen manufacturing facility. Also investments in our new headquarter in Munich led to an increase in depreciation for property, plant and equipment and in right-of-use assets.

The impairment of intangible assets relate to the impairment of the base AIR Technology attributable to the segment AIR, due to the fact that the existing and capitalized AIR Technology will not be the basis for the production of HAWK terminals anymore. The Group continues to consider the HAWK market as a significant market and will continue to provide a laser terminal solution. However, the future HAWK solution will be using more components and software from the existing and capitalized SPACE Technology to benefit from similar production processes and the reduction of development and maintenance efforts for the technology. Also related capitalized HAWK terminals within property, plant and equipment are impaired.

Other operating costs increased by 5,2% from €22.082 to €23.222 thousand.

€ thousand	For the year ended		
	December 31, 2023	December 31, 2022	Change in %
Legal and consulting fees	8.129	6.955	16,9%
Office and IT costs	4.680	4.236	10,5%
Insurance	3.106	4.855	-36,0%
Other business supplies, equipment and services	2.529	1.835	37,8%
Incidental rental costs and maintenance	1.860	814	128,5%
Selling and travel costs	1.115	2.279	-51,1%
Disposals of property, plant and equipment	630	0	n/a
Loss allowance on trade receivables (ECL)	337	0	n/a
Other costs	836	1.108	-24,5%
Total	**23.222**	**22.082**	**5,2%**

The increase was mainly driven by legal and consulting fee's as well as incidental rental costs and maintenance. The increase in legal and consulting fees is due to activities related to potential capital increases. The increase incidental rental costs and maintenance is due to the move of the headquarter from Gilching to Munich.

The **Operating result** representing a loss increase to €79.163 thousand (2022: loss €73.790 thousand) mainly due to the recognized impairments and write-downs related to the decision to discontinue the HAWK terminal production based on the existing and capitalized AIR Technology as well as the other effects described above.

The **financial result** decreased by €14.591 thousand to a net loss of €14.562 thousand (2022: net income €29 thousand).

€ thousand	For the year ended		
	December 31, 2023	December 31, 2022	Change in %
FINANCIAL INCOME			
Income from the fair value measurement of financial instruments	578	0	n/a
Interest income from fixed deposit	333	0	n/a
Total	**911**	**0**	**n/a**
FINANCIAL COSTS			
Interest and similar costs on loans	-10.209	-2.121	381,4%
Interest on contract liabilities due to significant financing component	-5.078	0	n/a
Interest on lease obligations	-652	-229	184,8%
Expenses from the fair value measurement of financial instruments	-172	-282	-39,0%
Borrowing costs capitalized in accordance with IAS 23	77	87	-11,5%
Total	**-16.035**	**-2.545**	**530,1%**
NET FOREIGN EXCHANGE RESULT			
Net foreign exchange result	**562**	**2.574**	**-78,2%**
Financial result	**-14.562**	**29**	**-50.313,8%**

The embedded derivative income relates to the fair value movement of the embedded prepayment option and floor swap included in the loan agreement of April 25, 2023. The embedded derivative expense relates to the prepayment option in the loan agreement of May 2, 2022, which was repaid in full in April 2023. The increase in interest and similar costs on loans relate to the two loan agreements mentioned above. The net foreign exchange loss (gain) is a result of the volatile US Dollar exchange rate coupled with a high US dollar bank balance. The interest expenses from significant financing components in customer contracts result from pre-financing of the Group by the customer as part of customer contracts. In this context, the Group receives significant advance payments well before the promised service or delivery is provided. If the financing component of the underlying customer contract is significant, this financing component is recognized in accordance with IFRS 15 in that it leads to interest expenses and increases the revenue to be recognized in the future in the same way.

Income tax benefit increased to €552 thousand (2022: income tax benefit €24 thousand). The amounts resulted from deferred tax income.

The **Consolidated group result** amounted to a loss of €93.528 thousand (2022: net loss €73.782 thousand) due to the foregoing reasons.

b) Segment-Earnings

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

€ thousand	For the year ended		
	2023	2022	Change in %
Segment SPACE	5.390	3.038	77,4%
Segment AIR	0	1.384	-100,0%
Total	5.390	4.422	21,9%

In the **segment SPACE** the operating result representing a loss increased by €7.211 thousand from a loss of €46.773 thousand to €53.984 thousand during the year ended December 31, 2023, which was mainly due to significantly higher personnel costs and the other operating costs. The personnel costs increased due to hiring related to productions and re-assignments of employee between segment SPACE and segment AIR. This development was partly offset by the increase in revenue in the amount of €2.352 thousand and the decrease in cost of materials in the amount of €3.535 thousand.

In the **segment AIR** the operating result representing a loss decreased by €4.257 thousand from a loss of €20.929 thousand to €16.672 thousand during the year ended December 31, 2023, which was mainly due to significantly lower personnel costs and other operating expense. Also no revenue was recognized. The decrease in personnel costs and other operating expense was partly offset by the significantly increased cost of materials and the decrease in finished goods and work in progress. This development was mainly driven by the fact that the existing and capitalized AIR Technology will not be the basis for the production of HAWK terminals anymore. The Group continues to consider the HAWK market as a significant market and will continue to provide a laser terminal solution. However, the future HAWK solution will be using more components and software from the existing and capitalized SPACE Technology to benefit from similar production processes and the reduction of development and maintenance efforts for the technology. As a result the Group impaired the AIR Technology (2023: €3.308 thousand), related capitalized HAWK terminals classified as property, plant and equipment (2023: €1.172 thousand) and related inventories (2023: €9,592 thousand).

4.2. Net assets

€ thousand	For the year ended December 31, 2023	December 31, 2022	Change in %
Total non-current assets	63.640	49.953	27,4%
Total current assets	55.446	30.368	82,6%
TOTAL ASSETS	**119.086**	**80.321**	**48,3%**

Total assets as of December 31, 2023, increased by 48,3% to €119.086 thousand (December 31, 2022: €80.321 thousand).

Non-current assets increased to €63.640 thousand (December 31, 2022: €49.953 thousand) mostly due to increase in right-of-use assets by €17.386 thousand. Included in the right-of-use assets is the new headquarter in Munich with additions amounting to €21.209 thousand. This was partly offset by the decrease in intangible assets by €4.722 thousand. This reflects besides the amortization of the SPACE Technology mainly the impairment of the AIR Technology in the amount of €3,308 thousand.

Non-current assets increased significantly to 53,4% of the balance sheet total (December 31, 2022: 62,2%).

Current assets increased by €25.078 thousand to €55.446 thousand (December 31, 2022: €30.368 thousand). This mainly reflects a increase in inventories and cash and cash equivalents.

The increase in inventories by 70,0% from €13.348 thousand to €22.695 thousand, primarily resulted from the preparation in terms of a stock-pilling of raw materials and supplies for the serial production for CONDOR Mk3. The raw materials and supplies amounting to €20.975 thousand as at December 31, 2023 (2022: €10.851 thousand). During the year ended December 31, 2023, raw materials and supplies in the amount of €9.569 thousand (2022: €5.601 thousand) were written down, which are mainly attributable to the HAWK product within the segment AIR. This was partly offset by a decrease in work in progress by €1,226 thousand to €832 thousand (2022: €2.058 thousand), is primarily due to the production of CONDOR Mk3 engineering models and write-downs of HAWK related goods (2023: €470 thousand, 2022: €1.225 thousand). The write-downs during the year ended December 31, 2023, relate to goods based on the existing AIR Technology in the segment AIR, which was impaired during the financial year (refer to chapter "4.1 a) Depreciation, amortization and impairment").

Cash and cash equivalents increased by €13.720 thousand to €23.958 thousand as of December 31, 2023 (December 31, 2022: €10.238 thousand) as a result of proceeds from a new loan agreement dated April 25, 2023 (refer to chapter 4.3 a)).

As of December 31, 2023, current assets increased to 46,6% of the balance sheet total (December 31, 2022: 37,8%).

4.3. Financial position

a) Capital structure

€ thousand	For the year ended December 31, 2023	December 31, 2022	Change in %
TOTAL EQUITY	**-49.287**	**27.793**	**-277,3%**
Total non-current liabilities	93.488	9.319	903,2%
Total current liabilities	74.885	43.209	73,3%
TOTAL LIABILITIES	**168.373**	**52.528**	**220,5%**
TOTAL EQUITY AND LIABILITIES	**119.086**	**80.321**	**48,3%**

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

Total equity decreased to a negative equity of €49.287 thousand (December 31, 2022: positive equity of €27.793 thousand) mainly reflecting the net loss of €93.528 thousand for the year ended December 31, 2023. The decrease was partially offset by the proceeds of €11.349 thousand from the issuance of share capital. The proceeds are linked to the loan agreement dated 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. 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. The company applied to the commercial register for the registration of the capital increase on April 27, 2023 and was published in the commercial register on May 3, 2023.

Equity settled share-based payments increased the capital reserve by €3.972 thousand (2022: €6.133 thousand).

As a result, the equity ratio declined to -41,4% (December 31, 2022: 34,6%).

Non-current liabilities, increased to €93.488 thousand (December 31, 2022: €9.319 thousand), mainly reflecting the increase in loans and borrowings by €59.496 thousand, the increase in lease liabilities by €12.746 thousand and the increase in contract liabilities by €11.663 thousand.

Non-current loans and borrowing increased to €59.496 thousand (2022: €0 thousand). This reflects that 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 (the "Credit Agreement 2023"). 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 $75.000 thousand.

Mynaric USA drew the full amount of the facility (subject to a 1,0% original issue discount) on the day of the execution of the Credit Agreement 2023 April 25, 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 10,0%, and for the first two years, interest in an amount equal to 3,0% can be paid in kind by increasing the principal amount of the loans. A portion of the proceeds of the loans were used to repay in full the Company's existing indebtedness under the loan agreement of May 02, 2022, and for fees and expenses associated with entering into the Credit Agreement 2023, the remaining amount will be used for general corporate purposes.

Non-current lease liabilities increased to €19.833 thousand (2022: €7.087 thousand) mainly reflecting the new lease agreement for a new headquarter location in Munich in January 2022. The new location offers 11,000 square meters or 120,000 square feet floorspace and allows for up to 400 employees working in production, testing, engineering and administration. The initial lease term is 10 years with an extension option of 5 year, which is assumed to be used under IFRS 16.

Non-current contract liabilities increased to €11.663 thousand (2022: €0 thousand) due to received pre-payment on new contracts with an estimated contract duration up to the financial year 2026.

As a result, non-current liabilities increased from 11,6% to 78,5% of the balance sheet total.

Current liabilities increased to €74.885 thousand (December 31, 2022: €43.209 thousand), primarily due to increased contract liabilities, lease liabilities as well as trade and other payables. This increase was partly offset by decreased loans and borrowings.

The increase in current contract liabilities by €24.616 thousand to €39.760 thousand (2022: €15.144thousand) is mainly driven by pre-payments for future deliveries related to contracts with customers. During the year ended December 31, 2023, the cash-in amounts to €44.711 thousand.

Current lease liabilities increased to €5.440 thousand (2022: €1.855 thousand) due to the new headquarter (see non-current lease liabilities).

Trade and other payables increased to €16.555 thousand (2022: €9.238 thousand) due to the stock-piling for the serial production.

Current loans and borrowings decreased to €3.286 thousand (2022: €14.440 thousand), which is the result of the aforementioned repayment in full of the loan agreement dated May 2, 2022, and the current portion of the new proceeds from the Credit Agreement 2023.

Current liabilities increased from 53,8% to 62,9% of the balance sheet total.

The foregoing reasons resulted in an increase in the debt ratio to 141,4% (December 31, 2022: 65,4%).

The Group's coverage ratio I (equity/non-current assets) and coverage ratio II ((equity + non-current liabilities)/non-current assets) decreased to -77,4% due to the negative equity (December 31, 2022: 55,6%) and decreased to 69,5% (December 31, 2022: 74,3%).

b) Investments

Investments during the year ended December 31, 2023, primarily relating to production infrastructure, which included investments in customized production facilities and production equipment such as our testing facilities. Also, investment were made into the new headquarter in Munich.

Investments made during the year ended December 31, 2023 (excluding right-of-use assets per IFRS 16) amounted to €6.670 thousand (2022: €9.799 thousand) are as follows:

1. Investments in intangible assets in the amount of €0 thousand (2022: €1.023 thousand)
2. Investments in property, plant and equipment in the amount of €6.670 thousand (2022: €8.776 thousand)

For the year 2024, the Group has planned further investments to expand production capacity and office equipment.

As of December 31, 2023, the Group has financial obligations from outstanding purchase orders for intangible asset and property, plant and equipment in the following amounts:

€ thousand	December 31, 2023	December 31, 2022
Intangible assets	12	14
Property, plant and equipment	3.866	1.258
Total	**3.878**	**1.272**

c) Liquidity

€ thousand	For the year ended		
	December 31, 2023	December 31, 2022	Change in %
Net cash used in operating activities	-28.984	-50.215	-42,3%
Net cash used in investing activities	-4.588	-11.699	-60,8%
Net cash from financing activities	47.087	21.968	114,3%
Net increase/(decrease) in cash and cash equivalents	**13.515**	**-39.946**	**-133,8%**
Cash and cash equivalents at the beginning of the period	10.238	48.143	-78,7%
Effects of movements in exchange rates on cash and cash equivalents	205	2.041	-90,0%
Cash and cash equivalents at the end of the period	**23.958**	**10.238**	**134,0%**

The net increase in cash and cash equivalents of the year ended December 31, 2023, amounts to €13.515 thousand (2022: net decrease of €39.946 thousand).

Cash flow used in operating activities, amounts to net outflows of €28.984 thousand (2022: €50.215 thousand). The outflows primarily result from the net loss recorded for the year ended December 31, 2023 of €93.528 thousand (2022: €73.782 thousand). Also, the net cash outflows for inventories increased to €9.379 thousand (2022: €4.958 thousand). The net outflows reflect the preparation in terms of a stock-pilling of raw materials and supplies for the serial production. The outflows were partly offset by inflows on contract liabilities. The inflows on contract liabilities increased to an amount of €39.760 thousand (2022: net outflows €15.144 thousand), which reflects cash in by customers in the amount of €44.711 thousand (also refer to chapter 3.2).

The consolidated net loss was affected by non-cash transactions. This mainly includes depreciation, amortization and impairment in the amount of €11.622 thousand (2022: €7.989 thousand) and equity-settled share-based payments in the amount of €3.972 thousand (2022: €6.133 thousand). The depreciation, amortization and impairment increased mainly due to recognized impairments on the AIR Technology and related HAWK terminals in the amount of €3.308 thousand and €1.172 thousand. 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 programs, which were implemented in 2021 and 2022, and stock options (refer to chapter 4.1 - Personnel costs).

Cash flow used in investing activities for the year ended December 31, 2023, decreased to an outflow of €4.588 thousand (2022: net outflow of €11.699 thousand). Investments in the expansion of development and production capacity are still made, but on a reduced intensity. The cash outflows for investments in property, plant and equipment decreased by €5.328 thousand to €4.851 thousand (2022: €10.179 thousand). The cash outflows for intangible assets decreased significantly by €1.050 thousand to €70 thousand (2022: €1.120 thousand), which is mainly due to the fact, that the developments of the capitalized AIR and SPACE technologies were completed 2020 and 2021 as well as the stopped development of the CONDOR MEO Technology in 2022.

Cash flow from financing activities, increased to net inflows of €47.087 thousand (2022: net inflows of €21.968 thousand). The cash inflows are mainly driven by credit facility proceeds amounting to €67.723 thousand (refer to chapter 4.3.a. Capital structure) and proceeds from the issue of share capital in the amount of €12.769 thousand (refer to chapter 4.3.a. Capital structure). The inflows were partly offset by repayment of loans and borrowing in the amount of €13.185 thousand (2022: €96 thousand), interest payments in the amount of €10.740 thousand (2022: €241 thousand) and transaction costs related to the proceeds. The inflows on loans and borrowings were used to repay an existing loan (refer to chapter 4.3.a. Capital structure). The increased interest payments mainly relate to interest payments on new loans and borrowings (refer to chapter 4.3.a. Capital structure). Transaction costs related to the new loan agreement amount to €5.796 thousand and related to the issue of share capital amount to €1.420 thousand.

Considering currency exchange rate effect, the cash and cash equivalents increased by €13.720 thousand to €23.958 thousand (December 31, 2022: €10.238 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 considerable 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, 2023, development costs in the amount of €21.572 thousand (2022: €18.019 thousand) were recognized as an expense since the criteria set out in IAS 38,57 were not met. Hence, €0 thousand (2022: €967 thousand) of the total development costs amounting to €21.572 thousand (2022: €18.986) were capitalized.

We expect that our research and development absolute 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. However, we expect the rate of increase to moderate as headcount remains relatively stable compared to previous years.

4.5. Non-financial Performance Metrics

During the year ended December 31, 2023, Mynaric had an average of 301 full-time equivalent employees (2022: 300 full-time equivalent 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, flexible working hours, incentives and career path opportunities as well as perks. The Group also funds and promotes social, sporting and team-building activities for its staff.

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

At Mynaric, risks mean the possibility of negative deviations in actual business performance from the target or planned figures. Accordingly, opportunities represent the possibility of positive deviations. The Management Board bears overall responsibility for the establishment and operation of an effective risk management system for Mynaric. Our approach is to weigh up the opportunities and risks associated with our business decisions and activities on the basis of reliable information. Risks should only be taken if they do not exceed an acceptable level for the company. Risks are therefore limited to a level deemed appropriate by means of suitable measures, transferred in whole or in part to third parties or, if complete risk avoidance is not possible, intensively monitored. All employees are obliged to act in the interests of the company and thus to appropriately identify, report and monitor risks in their own area of responsibility.

The Management Board bears overall responsibility for risk management. Risk Management coordinates the activities of the division, aggregates the risks down to Group level, reports on the risks and monitors the completeness of the required risk reports. The operational management of individual risks is the responsibility of the respective specialist departments.

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 and timely 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 classification of the impact and probability on the relevant performance indicators (optical communications terminal backlog, cash-in received from customer contracts, revenue and operating result) is shown 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, is well controlled or is well managed.
Low	Loss of 5-20% of optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.	Low likelihood. Will seldom occur, no obvious gaps in control or fairly well managed.
Medium	Loss of 20-45% 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 45-85% 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	Loss of 85-100% of optical communications terminal backlog, anticipated cash-in received from customer contracts, revenue or operating profit/loss.	Maximum likelihood. Expected to occur with significant gaps in control.

The percentage value limits were adjusted compared to the previous year.

The following table shows the relevant risks and their categorization:

Risk Category	No.	Relevant Risks
Economic and Industry Risks	**1.**	Market development
	2.	Competitive
	3.	Economic
	4.	Pandemic
	5.	Geopolitical
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

The following table shows the relevant risks and their classification in the risk matrix:

Risk matrix	Severity				
	Very low	Low	Medium	High	Very high

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

Risk classification			
Minor	Tolerable	Material	Critical

c) Economic and industry risks

Market development risks

We develop and manufacture laser communication systems 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 satellites and airborne devices. 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 satellites, drones and/or airplanes, 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 systems (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 an impact on all our key performance indicators.

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 September 2023, Eutelsat acquired OneWeb. In May 2023, Viasat acquired Inmarsat and Maxar was acquired by Advent International. In December 2021, one of our competitors, SA Photonics, was acquired by CACI International. The effects of these 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 an impact on all our key performance indicators.

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. 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 principally 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, high interest rates and fears of outright economic recession or slowdown 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 or defer 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 an impact on all our key performance indicators.

Pandemic-related risks

Downgrading of the likelihood compared to the previous year from medium likelihood to very low likelihood and therefore overall downgrading of the risk from tolerable to low.

Geopolitical risks

Middle East conflict

Tensions erupted in the Middle East over the course of the past year as Houtis threatened international shipping lanes, Hamas attacked Israel, Iran attacked Israel and Israel attacked Iran to name just a few of the recent outbreaks of regional conflict. The current result of these conflicts has been higher prices for particular commodities, especially oil, as well as the need to realign and reorganize global supply chain routes to avoid these particular areas of conflict. The situation remains fluid and no one conflict appears close to a solution at this time.

Ukraine-war

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 on 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.

US Presidential Election risks

Normally election cycles in the US have some impact on goverment spending programs as one party or the other looks to prioiriize programs that align with their messaging during the campaign. This cycle may have an additional impact as recent US programs have looked to reshore more production of critical systems and components that are currently procured from offshore manufacturing centers. To date, this has not impacted Mynaric as our products remain at a nascent stage in the market development and our exisitng design, development and assembly capabilities meet the needs of our customers. However, depending on the eventual winner of this year's Presidential election in the US, there could be changes that require more critical components and systems to be designed and built in the US.

In their entirety, the geopolitical risks and their impact on our business are considered as a high likelihood, medium severity and overall material risk that could have an impact on all our key performance indicators.

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, 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 an impact on our cash-in received from customer contracts, revenue and 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 disruption 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 be triggered by a variety of events, such as a prolonged shutdown or slowdown in production at our suppliers' plants or delays in shipments due to geopolitical factors and/or economic sanctions against third parties, including those resulting from the ongoing war between Russia and Ukraine, the imposition of tariffs, export controls or other measures by or against foreign countries (including China) and general market shortages due to a surge in demand for a particular part or component. Such disruptions or shortages may be exacerbated by price increases or the effects of inflation, work 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 of utilities, trade embargoes and other services. For example, the significant increase in energy prices may continue to have a negative impact on global supply chains and general economic conditions. In addition, certain countries have imposed or may in the future impose export restrictions on certain electronic components, which may include components that we use in our manufacturing process.

For example, bottlenecks in the supply chain could occur again, delaying production or the development of new product versions. High inflation could put pressure on our unit costs in the future, and higher advance payments to our suppliers and earlier disbursement of these payments could put pressure on our non-recurring costs in future periods. In addition, future updates or changes to the expected design of our products may increase the number of parts and components we need to procure and increase the complexity of our supply chain management. If we are unable to effectively manage the supply of parts and components, this could significantly impair our production capacities and thus delay the delivery of our products and affect the market acceptance of our products. Accordingly, there is a risk that Mynaric may not be able to procure the components necessary to manufacture its products at commercially reasonable prices and in a timely manner, and that Mynaric may not be able to manufacture and deliver products.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), we may be required to identify, disclose and report whether our products contain "conflict minerals" (tin, tungsten, tantalum and gold). Regulation (EU) 2017/821 of the European Parliament and of the Council of May 17, 2017, which sets out the due diligence obligations in the supply chain for EU importers of tin, tantalum and tungsten, their ores and gold from conflict-affected and high-risk areas, contains similar obligations (European Union Conflict Minerals Regulation).

Although our production does not depend on such minerals and we do not import such minerals directly, the electronic components we use in our products may contain such minerals and, as a result, we may be required to comply with these requirements and procedures. The implementation of these requirements could adversely affect the sourcing, availability and pricing of the materials used to manufacture the components used in our products. In addition, we may incur additional costs to comply with the disclosure requirements, including the costs of conducting due diligence to identify the sources of conflict minerals used or necessary to manufacture our products and, if applicable, for potential changes to products, processes or sources of supply as a result of such reviews. We could also face reputational issues if we determine that certain of our products contain minerals that are not classified as conflict-free.

In addition, legislative or regulatory authorities or self-regulatory organizations in countries in which we operate may expand the scope of applicable laws or regulations or enact new laws or regulations in areas relevant to our business. In June 2021, for example, the German legislator passed the Supply Chain Duty of Care Act, which imposes significant obligations on companies that source their products and services via supply chains from developing and emerging countries and sell them in Germany to comply with human rights and environmental standards and exposes them to potentially serious liability in the event of violations. Companies must therefore carefully document their entire value chain, audit their suppliers and demonstrate that they are making efforts to comply with applicable standards. Although the Supply Chain Act does not currently apply to us as we have fewer than 1,000 employees in Germany, we could be subject to the Supply Chain Act in the future (e.g. if we exceed the minimum number of employees in the future or if a change in the law lowers the threshold or introduces parameters that we meet so that we then fall within the scope of the Act) or other laws and regulations governing supply chains.

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

Corporate strategy risks

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 a limited high-volume market for laser communication systems. 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 and timing 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 an impact on all our key performance indicators.

Customer acquisition risks

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 limited 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 an impact on our optical communications terminal backlog.

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 an impact on our 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 an impact on our revenue and operating profit/loss.

IT risks

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 an impact on our 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 customers' 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 an impact on all our key performance indicators.

Product liability risks

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.

Compared to last year, product liability issues are considered as a medium (formerly low) likelihood, low (formerly medium) severity and overall tolerable risk that could have an impact on our operating profit/loss.

e) Financial risks

Liquidity risks

We have recorded net losses and negative cash flow from operating activities since our foundation and we expect the losses and negative cash flow from operating activities to continue in the near future. For the 2023 financial year, the Group recorded a consolidated net loss of €93.528 thousand and a negative cash flow from operating activities of €28.984 thousand. The accumulated deficit amounted to €260.077 thousand as at December 31, 2023. As at July 10, 2024, the Group has €13,3 million in cash and cash equivalents as well as an undrawn amount of $5 million of the term loan facility.

While the majority of the revenue planned for the 2024 financial year and a significant portion of the revenue planned for the 2025 financial year are contractually committed and advance payments for these contracts have already been received, the Group is dependent on winning further large public project tenders and receiving corresponding advance payments from the tenders won. Management is actively pursuing several opportunities in the commercial and public sector to sell its CONDOR terminals to a growing customer base. In order to realize these planned sales increases, series production must be ramped up. To this end, the Group has already made the majority of the necessary investments in property, plant and equipment as well as in product development and improvement. The liquidity required until the start of series production is mainly needed to cover ongoing operating costs.

We assume that we will incur further significant expenses in the course of further research, the expansion and refinement of our technology and the further development of our products. In addition, we expect to continue to incur significant expenses as we expand the commercialization of our products, strengthen our sales and marketing activities aimed at further building our brand, and improve our infrastructure and selectively our personnel base to lay the foundation for our growth. We will not be able to cover our expenses with income in the short term, at least not until we start shipping significant parts of our products on a constant basis and significantly increase the scope of our business activities. We therefore intend to use the increase in our debt financing facility to cover our current 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, on April 25, 2023, the Company, as guarantor, Mynaric USA Inc. (“Mynaric USA”), as the borrower, 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 (Original 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. In March 2024, we amended the Original Credit Agreement 2023 by the First Amendment to add a delayed draw term loan facility in an aggregate amount of $20 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, should we need or choose to do so, will largely depend 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 potential future performance will depend on the growth of the laser communication market, as well as our success in securing market share and implementing our business model. Our ability to raise equity financing 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.

Taking into account the Group's existing liquidity as at July 12, 2024 and the cash inflows and outflows planned and expected by management, management is of the opinion that the Group has sufficient liquidity to finance its operations for at least the next twelve months from the date of approval of these consolidated financial statements. However, no assurance can be given that sales and the corresponding customer payments will be received in the expected amount or at the required time. A shortfall in the planned sales revenue or planned customer payments could make additional external financing necessary in order to cover the Group's planned liquidity requirements. Should the Group not be able to obtain additional financing in such a situation or respond to this through other timely measures, such as a significant reduction in the 2024 operating budget, the Group may not be able to continue its business activities.

The events and conditions described above indicate that a material uncertainty exists that may cast significant doubt about Mynaric's ability to continue as a going concern and that represents a going concern risk within the meaning of Section 322 (2) sentence 3 HGB.

Compared to last year liquidity issues are considered as a high (formerly medium) likelihood, very high severity and overall critical risk that could have an impact on our operating profit/loss.

Currency risks

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 the bulk of our expenses are in Euro. Any changes in foreign currency exchange rates, and especially Euro-Dollar 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 an impact on our operating profit/loss.

Credit risks

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.

Compared to last year, credit issues are considered as a medium likelihood, high severity (formerly low) and overall material (formerly tolerable) risk that could have an impact on our 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 an impact on all our key performance indicators.

Political risks

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 an impact on our optical communications terminal backlog.

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, geopolitics, credit 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 2024, 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 inter-satellite 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.[13] 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 and the recent conflicts in the Middle East) 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 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.[14] 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.[15]

Additionally, the U.S. Department of Defense's budget for the fiscal year 2024 includes $30.1 billion for the U.S. Space Force and the SDA, which is an increase of more than $3.8 billion compared to 2023.

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), Eutelsat (owner of 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.

[13]: Source: https://crsreports.congress.gov/product/pdf/IF/IF11493, extracted at 11.01.2023
[14]: 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/, extracted at 11.01.2023
[15]: Source: https://interactive.satellitetoday.com/via/october-2022/satellite-operators-respond-to-cyber-threats-in-a-rapidly-changing-environment/, extracted at 14.09.2022

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.

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

Global economic activity is broadly balanced, with inflation moderating and steady growth opening a path to a soft landing according to the World Economic Outlook Update of January 2024 by the International Monetary Fund (IMF).[16] Inflation in many parts of the world remains stubbornly high but is moderating. Financial conditions in most regions remain somewhat tight with Central Banks holding interest rates at elevated levels relative to two years ago. Adding incremental risk to global economic growth are turmoil in the Middle East, which have caused disruptions to global supply chains, Russia's ongoing invasion of Ukraine, and the lingering COVID-19 pandemic.

Despite these factors the IMF increased their baseline forecast for total global GDP growth from 2.9% for 2024 (reported in their October 2023 update) to a current expectation of 3.1%. The IMF expects total global GDP growth to accelerate slightly in 2025 to 3.2%. The balance between looser fiscal policy and possible commodity supply shocks are the key elements impacting the forecast.

The IMF global headline inflation is expected to fall to 5.8 percent in 2024 and to 4.4 percent in 2025. The 2025 forecast was revised lower from previous forecasts. Upside inflation surprises have been most widespread among advanced economies, with greater variability in emerging market and developing economies.

In Germany, the IMF expects GDP growth to in 2024 to rebound from the decrease of -0.3% reported for 2023 to growth of 0.5% in 2024. In the United States, the IMF expects the GDP growth to moderate from the 2.5% reported for 2023 to 2.1% in 2024.

6.2. Industry forecast

Most companies in the aerospace industry performed well in 2023 despite lingering global inflation and relatively tight financial conditions in most regions. The turmoil in the Middle East adding more risk to global supply chains, Russia's continued invasion of Ukraine, and the lingering COVID-19 pandemic, providing further confirmation that the industry remains somewhat insulated from short-term economic turmoil, primarily due to the fact that significant business is related to long-term government programs. These programs are still expected to move forward but the on-going budget debate in the US does present some near-term risk to program funding.

[16]: Source: https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024, extracted at 14.06.2024

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. The US DoD budget for fiscal year 2024 of $841 billion is an increase of 3.2% percent from the 2023 level. includes $30.0 billion for the U.S. Space Force and the Space Development Agency, which is more than $3.7 billion more than what was enacted in fiscal year 2023 and the largest increase in the Agency's history. This budget for space-based technology is larger than the budget request for NASA.[17] Investment in government-funded space-based networks is not limited to the United States. Europe continues to move forward with its IRIS2 constellation. Although the scheduled development of the the multi-orbital constellation of up to two hundred satellites has slipped it is still expected to provide resilient services covering critical infrastructure protection, situational awareness, and support for external actions and crisis management.

On the commercial space constellation side, 2023 saw significant movement towards the deployment of other constellations. In August 2023, Telesat announced that its Lightspeed constellation is now fully funded with roughly US$1.6 billion of the cost to build the network funded by Telesat equity and approximately US$2 billion would come from Canadian federal and provincial financing. Telesat contracted MDA to build 198 satellites for the constellation with plans to provide initial polar and global services by 2027.[18] In September 2023, Eutelsat completed the acquisition of OneWeb, which was announced in July 2022. According to SpaceNews, the merger enables Eutelsat and OneWeb to move forward with joint plans for a $4 billion second-generation (Gen2) LEO network slated to enter service by early 2028 .

Over the past decade-plus the number of active satellites in orbit has continued to increase significantly from around 950 in 2010 to 2,000 satellites in late 2019 to more than 10,000 satellites as of May 2024.[19, 20, 21] The number of communication constellation satellites increased by more than a factor of sixteen between 2019 and 2023 driven significantly by the continued satellite deployments as part of commercial mega-constellations. 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, BryceTech Research expects more than 85,000 additional satellites will be launched over the next decade. We believe the vast majority of these satellites will be part of communication constellations with 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.

[17]: Source: https://www.defense.gov/News/News-Stories/Article/Article/3618367/congress-passes-fiscal-2024-defense-spending-bill-pay-raise-for-service-members/, extracted at 14.06.2024
[18]: Source: https://www.telesat.com/press/press-releases/telesat-contracts-mda-as-prime-satellite-manufacturer-for-its-advanced-telesat-lightspeed-low-earth-orbit-constellation/, extracted at 14.06.2024
[19]: Source: https://www.ucsusa.org/resources/satellite-database, extracted at 14.06.2024
[20]: Source: https://nanoavionics.com/blog/how-many-satellites-are-in-space/, extracted at 14.06.2024
[21]: Source: https://thespacevortex.com/2024/05/how-many-satellites-are-orbiting-earth-in-2024/, extracted at 14.06.2024

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, 2023, includes deliverables with key aerospace and defense customers that are related to government-funded satellite constellations with deliveries scheduled throughout 2024 and into 2025 as well as 2026. Deliveries in 2024 will materially support expected cash-in from customers as well as revenue for 2024. 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.

General

Mynaric generally anticipates a significant increase in demand for laser communication products over the next few years driven by government and commercial constellation deployment. We believes we are well-positioned to capture significant business and to continue to secure a defendable market share in the expanding market.

The market for laser communication systems in space, air and ground 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. At this time, 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.

Additions to the year-end backlog will be a function of our ability to capitalize on a number of opportunities that could close by year end and our team remains well positioned to capture these. These opportunities are across both the government and commercial sectors as well as spanning all our product lines. The year-end backlog will be net of shipments and we have a strong ramp in shipments projected for the coming months and into next year.

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. Over the course of fiscal 2024 as our production levels increase, we expect cash-in from customer contracts to be a bit more balanced in terms of deposits and milestone payments relative to delivery-related receipts. So, as we see our shipments ramp throughout 2024, cash-in from customer contracts will be much more closely correlated to shipments going forward.

Mynaric provides the following forecast for 2024 for Optical Communications Terminal Backlog, Cash-in from customer contracts, IFRS revenue and IFRS operating result:

	2023 Actual	2024 Forecast
Optical Communications Terminal Backlog (Units)	794	800 – 1.000
Cash-in from Customer Contracts (€ million)	49.2	65.0 – 100.0
Revenue (€ million)	5.4	50.0 – 70.0
Operating result (€ million)	-79.5	-40.0 - -30.0

Munich, July 12, 2024

The Management Board

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

RENUMERATION REPORT

Renumeration Report for the year ended December 31, 2023

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 referred to as the "**Company**") in the financial year 2023.

In addition to the requirements of section 162 para. 3 sentence 1 and sentence 2 of the German Stock Corporation Act (Aktiengesetz, "**AktG**"), the Management Board and the 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 2023

1.1. Economic environment in the financial year 2023

The Mynaric group (hereinafter also "**Mynaric**") in which Mynaric AG is the parent company achieved important milestones in the financial year 2023, including winning several significant orders for CONDOR Mk3 optical communication terminals and being selected by the European Space Agency (ESA) and the U.S. Defense Advanced Research Projects Agency (DARPA) for technology development programs. In addition to these operational milestones, the Company secured a new credit line and a capital increase to support its business plan.

In January, Mynaric announced that a new undisclosed US-based customer ordered US$24 million of CONDOR Mk3 optical communication terminals. The order foresaw payment milestones in the first and second half of 2023. The group expects deliveries in 2024.

In April, Mynaric signed a financing of in total EUR 80.6 million to refinance existing indebtedness and support our further growth with funds affiliated with a U.S.-based global investment management firm. Under the arrangement, the Lenders provided a US$75 million (approximately EUR 68.2 million) secured five-year term loan facility and two affiliates of the lender acquired an aggregate equity stake of approximately 9.1% (at the day of this group report) in Mynaric AG for EUR 12.4 million.

In May 2023, Mynaric announced the sale of the CONDOR Mk3 terminals to Loft Federal, a subsidiary of Loft Orbital. Loft Federal has been selected to manufacture, deploy and operate NExT – the Space Development Agency's (SDA) Experimental Test Field – and will use the terminals to support secure and reliable communications. Delivery of the terminals is mainly scheduled for the first half of 2024. The order was received at the end of 2022 and was already included in the previously announced order backlog for optical communication terminals as of December 31, 2022.

In July 2023, Mynaric received the top award in the "Best Submitted Idea" category in the SME/Scale-up category at the INNOspace Masters Highlight Conference, which was organized by the German Space Agency of the DLR. This award recognizes pioneers and innovative ideas that are driving the next generation of space technology.

In August 2023, Mynaric was selected by the Space Development Agency (SDA) to participate in an optical ground terminal demonstration. The research and development program planned for 2025 will demonstrate the successful connection between various space-based optical communication terminals (OCTs) and an optical ground station developed by the Company.

In September 2023, Mynaric achieved an important product milestone for its CONDOR Mk3 optical communication terminal. After intensive testing, CONDOR Mk3 passed optical verification and Phase 1 interoperability testing under the Space Development Agency's (SDA) Tranche 1 program, confirming the product's compliance with the SDA's Optical Communications Terminal (OCT) standard.

In November 2023, Mynaric announced that the Company had signed a further contract with an undisclosed customer in the USA for the delivery of CONDOR Mk3 optical communication terminals. The contract is worth around US-$ 6 million, with payment terms in the fourth quarter of 2023 and 2024 and product deliveries in the second half of 2024. Also in November 2023, Mynaric signed a contract with Northrop Grumman for the delivery of optical communication terminals as part of the US government's Space Development Agency Tranche 2 Transport Layer Beta spacecraft program. The contract, worth around US-$ 25 million, provides for payment milestones beginning in 2023 and expected to continue through 2024 and 2025, with product deliveries beginning in 2024 and continuing through 2026. Also in

November 2023, Mynaric secured another contract with a former customer in the USA for its CONDOR Mk3 optical communication terminals. The contract, which is worth around US-$ 30 million, provides for milestone payments from 2023 which continue through the years 2024 and 2025, with product deliveries starting in mid-2024 and continuing until 2025.

In December 2023, Mynaric signed a contract with Northrop Grumman for the delivery of CONDOR Mk3 optical communication terminals as part of the US government's Space Development Agency Tranche 2 Transport Layer Alpha space program. The contract is worth around US-$ 33 million and provides for milestone payments from 2024 to 2025 and product deliveries from 2024 to 2026.

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

The following changes occurred in the composition of the Management Board in the financial year 2023:

Mustafa Veziroglu was appointed as additional Chief Executive Officer (Co-CEO) alongside Bulent Altan with effect from February 1, 2023. Further, Bulent Altan resigned from his position as Co-CEO and member of the Management Board with effect as of the point in time immediately prior to the end of the annual general meeting 2023 on August 7, 2023.

The following changes occurred in the composition of the Supervisory Board in the financial year 2023:

The term of office of all current members of the Supervisory Board ended at the end of the annual general meeting 2023. The annual general meeting 2023 re-elected Dr. Manfred Krischke, Dr. Hans Königsmann and Peter Müller-Brühl and elected Bulent Altan and Margaret Abernathy as new members of the Supervisory Board. The election took place in each case with effect as of the end of the annual general meeting 2023 and until the end of the general meeting that resolves upon the discharge of the respective member of the Supervisory Board for the fourth year from the beginning of the term of office, not counting the financial year in which the term of office begins, i.e. presumably until the end of the annual general meeting 2028.

1.3. Resolution on the remuneration report for the financial year 2022

For the financial year 2022, a remuneration report was prepared in accordance with Section 162 AktG and audited by the auditor beyond the requirements of section 162 para. 3 sentence 1 AktG. The remuneration report for the financial year 2022 was approved by the annual general meeting 2023 with a majority of 77.27%. In view of the high level of approval for the remuneration report for the financial year 2022, there was no reason to change the method of 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 member of the Management Board. 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 program and a virtual stock program, so-called stock appreciation rights. However, the Supervisory Board has not made use of the possibility 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 the 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 members of the Management Board with those of the Company’s shareholders.

In the financial year 2023, the Remuneration System 2022 only applied to the service agreement of the member of the Management Board and chairman of the Management Board Mustafa Veziroglu. The Remuneration System 2022 does not apply to the service agreements of Stefan Berndt-von Bülow and Joachim Horwath. Furthermore, the Remuneration System 2022 also did not apply to the service agreement of Bulent Altan, the member of the Management Board and chairman of the Management Board who ceased to be a member of the Management Board in the financial year 2023.

However, the service agreements of Stefan Berndt-von Bülow and Joachim Horwath essentially comply with the requirements of the Remuneration System 2022. In particular, the service agreements of Stefan Berndt-von Bülow and Joachim Horwath also provide for a maximum remuneration that corresponds to the maximum remuneration as defined in the Remuneration System 2022.

Insofar as the Remuneration System 2022 applied in the financial year 2023, there were no deviations from it within the meaning of section 162 para. 1 sentence 5 AktG.

<table>
<tr><td rowspan="3">Fixed remuneration</td><td>Base salary</td><td colspan="3">Fixed annual base salary</td></tr>
<tr><td>Fringe benefits</td><td colspan="3">E.g., subsidies for health and long-term care insurance, relocation costs, double householding</td></tr>
<tr><td>Further payments</td><td colspan="3">In exceptional cases, payments in connection with the appointment to the Management Board</td></tr>
<tr><td rowspan="6">Performance-related (variable) remuneration</td><td rowspan="6">Short-term variable remuneration (STI)</td><td rowspan="3">Annual bonus</td><td>Structure</td><td>Annual bonus depending on the achievement of one financial, one operational and one ESG target</td></tr>
<tr><td>Performance criteria</td><td>• 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</td></tr>
<tr><td>Maximum limit</td><td>200 % of the target amount</td></tr>
<tr><td rowspan="3">Investment bonus</td><td>Structure</td><td>Bonus in the event of an investment by a strategic investor</td></tr>
<tr><td>Performance criteria</td><td>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</td></tr>
<tr><td>Maximum limit</td><td>Up to 1% of the investment amount, but not more than €1 million.</td></tr>
</table>

Performance-related (variable) remuneration	**Long-term variable remuneration (LTI)**	**Stock option program**	Structure	Issue of stock options, whose final exercisable number 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 satisfaction target (weighted at 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 duties or internal codes of conducts		
	Severance cap	Severance payments shall not exceed the value of two years' remuneration and shall not compensate 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 compensation 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, U.S. and 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 and 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 2023, the annual base salary for the individual members of the Management Board was as follows:

Member of the Management Board	2023 in k€	2022 in k€
Bulent Altan[1]	284	430
Mustafa Veziroglu[2]	446	129
Stefan Berndt-von Bülow	325	263
Joachim Horwath	325	263
Total	**1.380**	**1.085**

The annual base salary of Bulent Altan also includes the fixed remuneration he received for his work as Chief Executive Officer (CEO) of the 100% subsidiary of the Company Mynaric USA Inc. until his resignation from the Management Board in the amount of k€ 199[3] (for the financial year 2022: k€ 280[4]). The other members of the Management Board did not receive any remuneration for activities in subsidiaries of Mynaric AG.

[1] Bulent Altan resigned from the Company's Management Board with effect as of the end of the annual general meeting on August 7, 2023.
[2] Member of the Management Board since August 15, 2022.
[3] K$ 215 at an average exchange rate 2023 $/€: 0.92368.
[4] K$ 294 at an average exchange rate 2022 $/€: 0.95441.

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 scheme, allowances for health and long-term care insurance, rent subsidies and other benefits in kind.

On the occasion of the premature termination of his service agreement, Bulent Altan was granted a severance payment claim of € 750,000.00, which can be settled in whole or in part in shares in the Company at the Company's sole discretion. The severance payment claim was fulfilled in the financial year 2024 in the form of 37,128 new shares from the Company's Authorized Capital 2023/I against contribution and assignment of the severance payment claim as a contribution in kind to the Company and is therefore only reported in detail in the remuneration report for the financial year 2024.

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 certain 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 payment in the event of 100% target achievement.

At the beginning of the following financial year, the Supervisory Board assesses the degree of target 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.

As the annual bonus 2022 was not paid to the members of the Management Board until May 2023, the annual bonus 2022 is attributed to the remuneration awarded and due within the meaning of section 162 para. 1 sentence 1 AktG in the financial year 2023 and is therefore disclosed in this remuneration report. The amount of the annual bonus for the financial year 2023 will be determined and paid in the financial year 2024 and is therefore attributable to the remuneration awarded and due in the financial year 2024 within the meaning of section 162 para. 1 sentence 1 AktG. The annual bonus 2023 shall therefore be disclosed in the remuneration report for the financial year 2024. For the annual bonus 2023, the Supervisory Board also set an ESG target for the first time in line with the Remuneration System 2022.

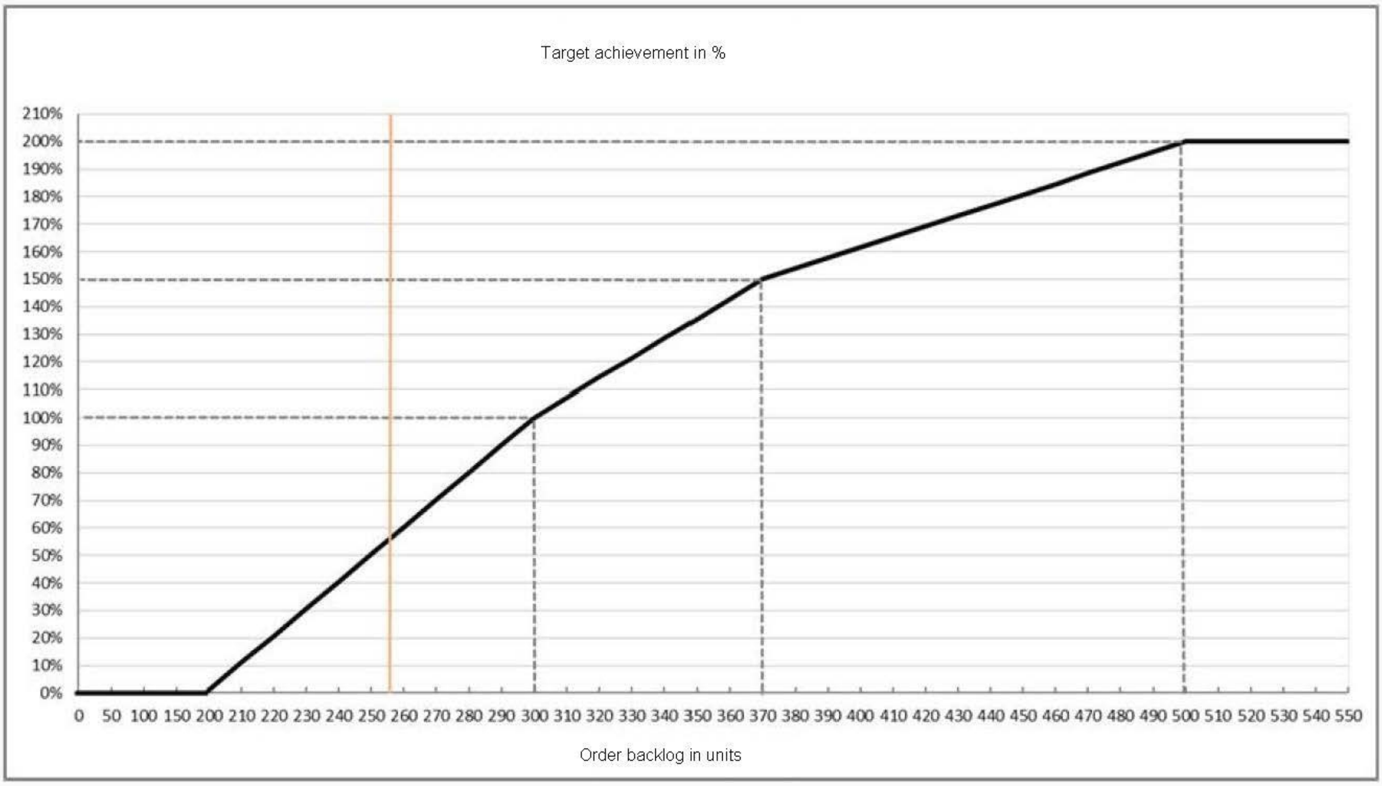
Performance targets for the annual bonus 2022

For the annual bonus 2022, 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 being weighted at 50% each as part of the overall target achievement.

Operational Target

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

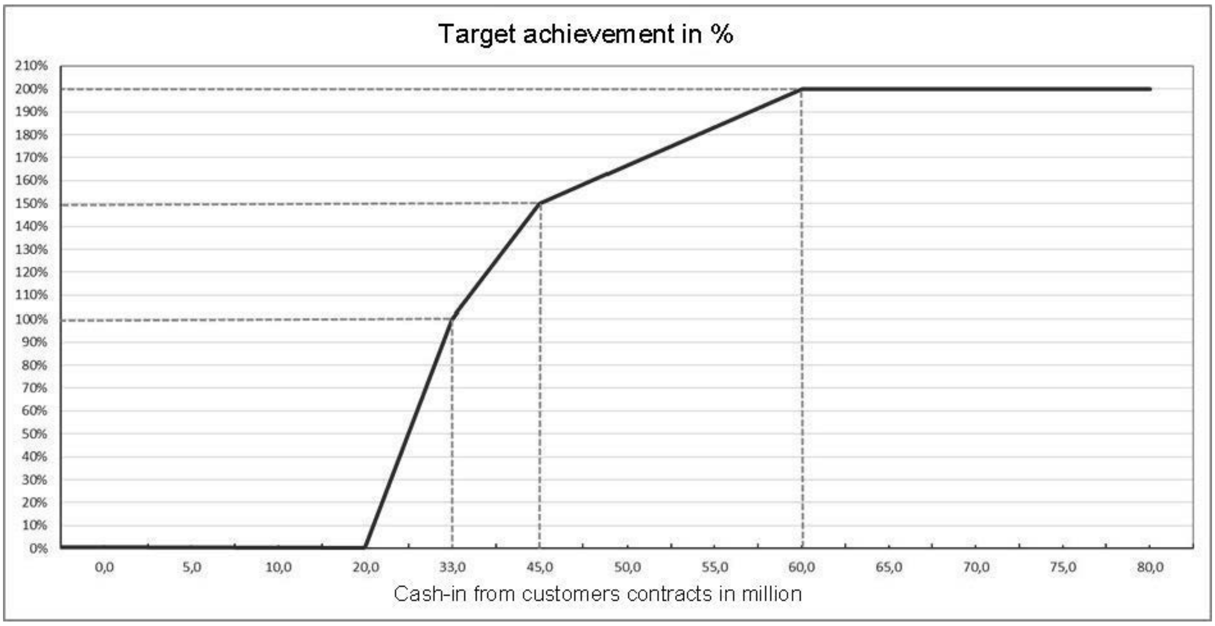
The Supervisory Board has based the Operational Target on the order backlog (number of terminals delivered to customers) as of December 31, 2022. For this purpose, the Supervisory Board set a target value of 300 terminals to be delivered to customers for the Operational Target, which corresponds to a target achievement of 100%. Less than 200 terminals to be delivered to customers correspond to a target achievement of 0% and 500 terminals to be delivered to customers correspond to a target achievement of 200%. It is not possible to increase the target achievement beyond 200% (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 2022. For this purpose, the Supervisory Board set a target value of € 33.0 million for the Financial Target, which corresponds to a target achievement of 100%. Payments in the amount of less than € 22.0 million correspond to a target achievement of 0% and payments of €60.0 million correspond to a target achievement of 200%. An increase in target achievement beyond 200% is not possible (cap). Between the percentage points, the target achievement increases as follows:



Target achievement for the annual bonus 2022

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

As of December 31, 2022, the order backlog amounted to 256 terminals, resulting in an achievement of the Operational Target of 56%. Payments from customer contracts amounted to € 18.4 million in the financial year 2022, resulting in 0% achievement of the Financial Target. Based on the target achievement of the Operating Target and the Financial Target, the overall target achievement of the annual bonus 2022 was 28%.

This resulted in the following payment amounts for the annual bonus 2022:

Management Board member	Target amount[5] in k€	Maximum payout amount in k€	Overall target achievement 2022 in %	Payout amount in k€
Bulent Altan[6]	237	427	28,0%	66
Mustafa Veziroglu[7]	49	98	28,0%	14
Stefan Berndt-von Bülow	113	225	28,0%	35
Joachim Horwath	113	225	28,0%	35

[5] Based on a 100% target achievement.
[6] Bulent Altan resigned from the Company's Management Board with effect as of the end of the annual general meeting on August 7, 2023.
[7] Member of the Management Board since August 15, 2022.

Bonus on the occasion of Pimco's investment in the financial year 2023

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 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 with subscription rights, a payment is only 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 2023, the members of the Management Board were paid a bonus on the occasion of the investment in the Company by the strategic investor Pimco. In April 2023, Pimco subscribed for shares amounting to around 10.0% of the share capital of the Company of € 5,668,391.00 at the time via the two investment vehicles COF IV Obsidian S.à r.l. and OC III LVS LIII LP in return for an investment amount of around € 12.5 million. On this basis, the bonus paid to the members of the Management Board amounted to k€ 125 (1% of the investment amount of around € 12.5 million).

b. Long-term variable remuneration (LTI)

The members of the Management Board also receive a long-term variable remuneration in the form of participation in the Company's stock option program, 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 members of the Management Board with those of the shareholders.

In the financial year 2023, the waiting period for the stock options granted to the then members of the Company's Management Board in the financial year 2019 as part of the stock option program 2019 expired. However, the stock options did not become exercisable as the relevant performance target of the stock option program 2019 was not met.

In addition, in the financial year 2023, a total of 75,000 stock options were granted under the 2021, 2022 and 2023 stock option programs to the members of the Management Board in office in the financial year 2023.

The stock option programs 2019, 2021, 2022 and 2023 were or are subject to the following conditions for their exercise:

Plan conditions of the stock option program 2019

In the financial year 2023, the waiting period for the stock options granted under the stock option program 2019 for the financial year 2019 to the then members of the Management Board Bulent Altan, Hubertus Edler von Janecek and Wolfram Peschko, each with effect as of September 27, 2019, expired.

However, the stock options granted in the financial year 2019 under the stock option program 2019 did not become exercisable in the financial year 2023.

Under the stock option program 2019, a stock option originally entitled the members of the Management Board to subscribe for one share in the Company against payment of an exercise price corresponding to the volume-weighted six-month average price of a share of Mynaric AG in Xetra trading on the Frankfurt Stock Exchange prior to the issue period, depending on the achievement of the defined performance target after a four-year waiting period.

The performance target for the stock option program 2019 was the absolute share price development of the Mynaric-share during the waiting period as follows:

The absolute share price development of the share of Mynaric AG during the waiting period is measured by comparing the volume-weighted six-month average price of the share of Mynaric AG in Xetra trading on the Frankfurt Stock Exchange at the end of the waiting period and the exercise price. The subscription rights can only be exercised if the price of a share of Mynaric AG has increased by at least 20% compared to the exercise price during the waiting period.

The performance target was not achieved during the waiting period of the stock option program 2019.

The exercise price was € 42.46. The volume-weighted six-month average price of the share of Mynaric AG in Xetra trading on the Frankfurt Stock Exchange at the end of the waiting period was € 22.29. This corresponds to a decrease of 47.5% compared to the exercise price. The increase of at least 20% defined as a performance target under the stock option program 2019 was therefore not achieved.

Based on the target achievement, the stock options granted under the stock option program were not exercisable.

The members of the Management Board in office in the financial year 2023, Mustafa Veziroglu, Joachim Horwath and Stefan Bernd-von Bülow, were not granted any stock options under the stock option program 2019 in the financial year 2019.

Management Board member	Stock option program	Grant date and start of the waiting period	End of the waiting period	Number of the stock options granted	Exercise price in €	Target price in €	Price at the end of the waiting period in €	Exercised in k€
Bulent Altan[8]	2019	September 27, 2019	September 27, 2023	30.000	42,46	50,95	22,29	0
Hubertus von Janecek[9]	2019	September 27, 2019	September 27, 2023	23.000	42,46	50,95	22,29	0
Wolfram Peschko[10]	2019	September 27, 2019	September 27, 2023	13.000	42,46	50,95	22,29	0
Total				**66.000**				**0**

[8] Bulent Altan resigned from the Company's Management Board with effect as of the end of the annual general meeting on August 7, 2023.
[9] Member of the Management Board until July 10, 2020.
[10] Member of the Management Board until May 5, 2020.

Plan conditions of the stock option program 2021

After the expiry of a four-year waiting period, one stock option entitles the members of the Management Board to subscribe for one share in 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 share in the trading system with the highest total trading volume in shares of the Company or rights or certificates representing such shares prior to the grant date. It is at the discretion of the Company to settle the stock options also in cash.

The stock options can be exercised within a period of three years after expiry of the four-year waiting period. Within this period, the stock options can be exercised within four weeks of the announcement of the results of the annual or half-year financial statements for a financial year. The final number of exercisable stock options depends on the achievement of a performance target as follows:

The performance target set for the stock option program 2021 is linked to the absolute share price performance of the Company during the waiting period.

To determine whether the performance target has been achieved, the six-month volume-weighted average price of the Company's share or the six-month volume-weighted average price 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 at the end of the waiting period (the "**Relevant Closing Price**") and the exercise price are compared with each other. The performance target is 100% achieved if the Relevant Closing Price is at least 20% above the exercise price. If the Relevant Closing Price is less than 20% above the exercise price, the target achievement for the performance target is 0%. A target achievement of more than 100% is not possible.

Plan conditions of the stock option programs 2022 and 2023

After the expiry of a four-year waiting period, one stock option entitles the members of the Management Board to subscribe for one share of the Company against payment of an exercise price that corresponds to the volume-weighted six-month average price of the Mynaric AG share prior to the issue date or the right or certificate representing the Mynaric AG share in the trading system with the highest total trading volume in shares of the Company or rights or certificates representing such shares prior to the grant date. It is at the discretion of the Company to settle the stock options also in cash.

The stock options can be exercised within a period of five years after the end 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 programs 2022 and 2023 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 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 (each 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 no Relevant Closing Price is at least 50% above the exercise price, 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 proportion of women within the Mynaric Group at the end of the waiting period is five percentage points higher than the proportion of women determined at the beginning of the waiting period. If the proportion of women is at least 30% at the beginning of the waiting period or if the proportion of women within the Mynaric group is 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 at 80% and the ESG target at 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 in the financial year 2023 under the stock option programs 2021, 2022 and 2023 and the main conditions for their exercise in accordance with section 162 para. 1 sentence 1 no. 3 AktG:

Management Board member	Stock option program	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€
Mustafa Veziroglu[11]	2022	June 30, 2023	June 30, 2027	7.000	20,25	7,51	53
Mustafa Veziroglu	2023	December 13, 2023	December 13, 2027	24.000	21,20	8,76	254
Stefan Berndt-von Bülow	2021	June 30, 2023	June 30, 2027	10.000	20,25	9,25	93
Stefan Berndt-von Bülow	2023	December 13, 2023	December 13, 2027	12.000	21,20	8,76	105
Joachim Horwath	2021	June 30, 2023	June 30, 2027	10.000	20,25	9,25	93
Joachim Horwath	2023	December 13, 2023	December 13, 2027	12.000	21,20	8,76	105
Total				**75.000**			**703**

[11] Member of the Management Board since August 15, 2022.

Bulent Altan did not receive any stock options in the financial year 2023 due to his switch to the Supervisory Board.

The target achievement for the stock options issued under the stock option programs 2021, 2022 and 2023 in the financial year 2023 and the development of the value of the stock options issued in the financial year 2023 under the stock option programs 2021, 2022 and 2023 shall be disclosed in the remuneration report for the financial year 2027.

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 2023, the maximum remuneration only applied to the service agreement of the chairman of the Management Board and member of the Management Board Mustafa Veziroglu. However, the service agreements of the Management Board members Stefan Berndt-von Bülow and Joachim Horwath also provide for a maximum remuneration that corresponds to the maximum remuneration defined in the Remuneration System 2022.

As the stock options granted to the members of the Management Board under the stock option programs 2021, 2022 and 2023 in the financial year 2023 will become exercisable for the first time in the financial year 2027, compliance with the maximum remuneration for the financial year 2023 shall be reported in the remuneration report for the financial year 2027.

b. Malus and clawback provisions

The service agreements of all Management Board members and the terms and conditions of the stock option programs 2022 and 2023 contain so-called malus and clawback provisions, according to which the Company is particularly entitled 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 conduct policies of the Company or a subsidiary. The Company had no reason to make use of this option in the financial year 2023.

c. Benefits upon termination of the service agreement

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, the expected total remuneration for the current financial year.

The severance payment granted to Bulent Altan complied with the above severance payment cap.

Change of control

The service agreements of the members of the Management Board do not contain any provisions for the event of a change of control.

The stock option program 2021 and previous stock option programs provide for the following provision for 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 program are not met, the members of the Management Board are entitled to waive their subscription rights within two weeks of the announcement of the change of control by means of a unilateral declaration to the Company. In this case, the members of the Management Board 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 in Mynaric AG by a new shareholder.

The terms and conditions of the stock option programs 2022 and 2023 provide for the following provision in the event of a change of control:

A change of control occurs when 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 no such purchase price is known, in the amount of the price of the Mynaric AG share or 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.

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 2023

The following tables show the respective target remuneration as well as the remuneration awarded and due to the members of the Management Board in office in the financial year 2023 for the financial years 2023 and 2022. No remuneration was awarded to former members of the Management Board in the financial year 2023.

a. Target total remuneration of the members of the Management Board in office in the financial year 2023

The following table shows the respective target total remuneration of the members of the Management Board in office in the financial year 2023 for the financial years 2023 and 2022, based on the target amount in case of a 100% target achievement for STI and LTI.

Management Board member	Year	Annual base salary		Special payment		Fringe benefits		Short-term variable remuneration		Long-term variable remuneration[12]		Total
		in k€	in %	in k€	in %	in k€	in %	in k€	in %	in k€	in %	in k€
Bulent Altan[13]	2023	284	57,6%	0	0,0%	67	13,6%	142	28,8%	0	0,0%	493
	2022	430	31,1%	52	3,8%	120	8,7%	237	17,1%	543	39,3%	1.382
Mustafa Veziroglu[14]	2023	446	46,6%	0	0,0%	6	0,6%	181	18,9%	325	33,9%	958
	2022	129	19,2%	0	0,0%	82	12,2%	49	7,3%	411	61,3%	671
Stefan Berndt-von Bülow	2023	325	52,1%	0	0,0%	6	1,0%	125	20,0%	168	26,9%	624
	2022	263	30,8%	62	7,2%	6	0,7%	113	13,2%	411	48,1%	855
Joachim Horwath	2023	325	52,1%	0	0,0%	6	1,0%	125	20,0%	168	26,9%	624
	2022	263	30,8%	62	7,2%	6	0,7%	113	13,2%	411	48,1%	855

[12] For determining the target total remuneration, the share price to be achieved for 100% target achievement was used as the basis.
[13] Bulent Altan resigned from the Company's Management Board with effect as of the end of the annual general meeting on August 7, 2023.
[14] Member of the Management Board since August 15, 2022.

b. Remuneration awarded and due to members of the Management Board in accordance with section 162 para. 1 sentence 1 AktG

The following table shows the remuneration awarded and due to the members of the Management Board in office in the financial years 2023 and 2022 in accordance with section 162 para. 1 sentence 1 AktG. The tables include all remuneration amounts received by the individual members of the Management Board 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 2023 will be determined and paid in the course of the financial year 2024 and thus will be included in the remuneration awarded and due within the meaning of section 162 para. 1 sentence 1 AktG in the financial year 2024, while the remuneration awarded and due within the meaning of section 162 para. 1 sentence 1 AktG in the financial year 2023 also includes the annual bonus for the financial year 2022 paid in May 2023. The share-based remuneration granted in the financial year 2023 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 time of granting. In addition to the remuneration components, the relative share of all fixed and variable remuneration components within the 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		Special payment		Fringe benefits		Short-term variable remuneration[15]		Long-term variable remuneration[16]		Total
		in k€	in %	in k€	in %	in k€	in %	in k€	in %	in k€	in %	in k€
Bulent Altan[17]	2023	284	52,4%	0	0,0%	67	12,4%	191	35,2%	0	0,0%	542
	2022	430	52,5%	52	6,3%	120	14,7%	152	18,6%	65	7,9%	819
Mustafa Veziroglu[18]	2023	446	52,3%	0	0,0%	6	0,7%	138	16,2%	263	30,8%	853
	2022	129	49,5%	0	0,0%	82	31,5%	0	0,0%	50	19,0%	261
Stefan Berndt-von Bülow	2023	325	47,2%	0	0,0%	6	0,8%	160	23,2%	198	28,8%	689
	2022	263	50,3%	62	11,9%	6	1,1%	142	27,1%	50	9,6%	523
Joachim Horwath	2023	325	47,2%	0	0,0%	6	0,8%	160	23,2%	198	28,8%	689
	2022	263	50,3%	62	11,9%	6	1,1%	142	27,1%	50	9,6%	523

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

In the financial year 2023, no remuneration was awarded or due to former members of the Management Board pursuant to section 162 para. 1 sentence 1 AktG.

2.6. Individual disclosure of the remuneration of the members of the Supervisory Board for the financial year 2023

The following table shows the remuneration awarded and due within the meaning of section 162 para. 1 sentence 1 AktG to Supervisory Board members in office in the financial year 2023, 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 2023. No remuneration was granted to former members of the Supervisory Board in the financial year 2023.

The remuneration of the members of the Supervisory Board for the financial year 2023 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 k€ 60 for each full financial year of service on the Supervisory Board. The chairman receives double the remuneration and the deputy chairman one and a half times the remuneration. Supervisory Board members who are also members of the Audit Committee further receive a remuneration of k€ 20 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.

Dr. Manfred Krischke was the chairman of the Supervisory Board until the end of the general meeting on August 7, 2023. Bulent Altan has been the chairman of the Supervisory Board since the constituent meeting of the Supervisory Board on August 7, 2023. Peter Müller-Brühl was the deputy chairman of the Supervisory Board throughout the financial year 2023.

Steve Geskos was the chairman of the Audit Committee until the end of the general meeting on August 7, 2023. Dr. Manfred Krischke was a member of the Audit Committee throughout the financial year 2023 and has served as its chairman since the constituent meeting of the Supervisory Board on August 7, 2023. Peter Müller-Brühl was a member of the Audit Committee throughout the financial year 2023. Margaret Abernathy has been a member of the Audit Committee since the constituent meeting of the Supervisory Board on August 7, 2023.

Further, each member of the Supervisory Board receives 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. An overview of the meetings of the Supervisory Board in the financial year 2023 can be found in the report of the Supervisory Board for the financial year 2023.

Member of the Supervisory Board	Year	Fixed remuneration		Attendance fees		Total
		in k€	in %	in k€	in %	in k€
Dr. Manfred Krischke	2023	120	94,5%	7	5,5%	127
	2022	140	92,7%	11	7,3%	151
Bulent Altan	2023	48	94,1%	3	5,9%	51
(since August 7, 2023)	2022	0	n/a	0	n/a	0
Peter Müller-Brühl	2023	110	94,0%	7	6,0%	117
(since October 5, 2021)	2022	110	93,2%	8	6,8%	118
Hans Königsmann	2023	60	93,8%	4	6,2%	64
(since October 13, 2021)	2022	60	90,9%	6	9,1%	66
Margaret Abernathy	2023	32	91,4%	3	8,6%	35
(since August 7, 2023)	2022	0	n/a	0	n/a	0
Steve Geskos	2023	54	91,5%	5	8,5%	59
(until August 7, 2023)	2022	90	89,1%	11	10,9%	101
Vincent Wobbe	2023	36	90,0%	4	10,0%	40
(until August 7, 2023)	2022	60	89,6%	7	10,4%	67

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 the 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 Supervisory Board, the remuneration awarded and due within the meaning of section 162 para. 1 sentence 1 AktG for the respective financial year 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 the average employee remuneration 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 program 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 presentation	2023 in k€	2022 in k€	Development 2023/2022 in %	2021 in k€	Development 2022/2021 in %	2020 in k€	Development 2021/2020 in %
Earnings performance							
Consolidated net profit/loss for the period	(93.528)	(73,782)	(27)%	(45.477)	(62)%	(20.642)	(120)%
Net profit/loss for the year of Mynaric AG according to HGB	(9.656)	(9,919)	(3)%	(13.178)	25%	(9.602)	(37)%
Employees							
Employee remuneration of the Mynaric Group	97	95	1%	90	6%	84	6%
Members of the Management Board active in the financial year							
Bulent Altan (until August 7, 2023)	542	819	(34)%	1.497	(45)%	782	91%
Mustafa Veziroglu (since August 15, 2022)	853	261	227%	./.	./.	./.	./.
Stefan Berndt-von Bülow (since September 16, 2020)	689	523	32%	1.004	(48)%	321	213%
Joachim Horwath (since February 17, 2021)19	689	523	32%	934	(44)%	18	5,089%
Average	**693**	**531**	**31%**	**1.145**	**(54)%**	**374**	**206%**
Former members of the Management Board							
Dr. Wolfram Peschko (until May 5, 2020)	0	93	(100)%	348	(73)%	277	26%
Average	**0**	**93**	**(100)%**	**348**	**(73)%**	**277**	**26%**
Members of the Supervisory Board active in the financial year							
Dr. Manfred Krischke	127	151	(16)%	80	89%	40	100%
Bulent Altan (since August 7, 2023)	51	./.	./.	./.	./.	./.	./.
Peter Müller-Brühl (Deputy Chairman since October 5, 2021)	117	118	(1)%	50	136%	20	150%
Hans Königsmann (since October 13, 2021)	64	66	(3)%	12	450%	./.	./.
Margaret Abernathy (since August 7, 2023)	35	./.	./.	./.	./.	./.	./.
Steve Geskos (until August 7, 2023)	59	101	(42)%	32	216%	./.	./.
Vincent Wobbe (until August 7, 2023)	40	67	(40)%	19	253%	./.	./.
Average	**71**	**101**	**(30)%**	**39**	**161%**	30	**29%**

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

3. Other

Mynaric AG maintains a D&O insurance policy for the members of the Management Board, which provides for a deductible for members of the Management Board 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.

July 12, 2024

Management Board Supervisory Board

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 2023

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, 2024:

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, 2023, as amended and updated on October 10, 2023, Mynaric AG has complied with the recommendations of the German Corporate Governance Code in the version dated April 28, 2022 ("GCGC") with the exceptions described below:
    - The company does not yet comply with recommendation A.3 of the GCGC, 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 to the internal control system and the risk management system and intends to comply with recommendation A.3 of the GCGC soon.
    - Precautionary, the company declares that it does not comply with recommendation C.10 of the GCGC, according to which the Chairman of the Supervisory Board should be independent of the company and the Management Board. According to recommendation C.7 of the GCGC, the assessment of independence should take into account, among other things, whether the Supervisory Board member was a member of the company's Management Board in the two years prior to the appointment. The Chairman of the Supervisory Board, Bulent Altan, was a member of the company's Management Board in the two years prior to his election as a member and Chairman of the Supervisory Board. However, the Supervisory Board is of the opinion that the company will benefit from Bulent Altan's many years of service to the company and from his extensive experience and knowledge of the industry, particularly in his role as a member and Chairman of the Supervisory Board. Furthermore, the company continues to have no reason to assume that Bulent Altan does not make his decisions as Chairman of the Supervisory Board independently and in the exclusive interests of the company.
    - The company still does not comply with recommendation F.2 of the GCGC, 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.

- The company still does not comply with recommendation G.17 of the GCGC, according to which the time commitment of the Chairman and members of Supervisory Board committees is appropriately taken into account in the remuneration.

  The company's 2021 Annual General Meeting set higher remuneration for the Chairman and members of the Audit Committee. The company's 2022 Annual General Meeting confirmed this resolution and approved a corresponding remuneration system for the Supervisory Board. The members of the Supervisory Board do not receive higher remuneration for their work as Chairman and members of the Remuneration Committee and the Corporate Governance and Nomination Committee.

  The work of the Chairman and the members of the Remuneration Committee and the Corporate Governance and Nomination Committee does not result in a significantly higher time commitment, meaning that the company is of the opinion that higher remuneration is not necessary.

2. Mynaric AG will - with the above-mentioned exceptions - continue to comply with the recommendations of the GCGC.

Munich, April 26, 2024

On behalf of the Management Board	On behalf of the Supervisory Board
Mustafa Veziroglu	Bulent Altan
Chairman of the Management Board	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 Leadership Team. Under the leadership of the Chairman of the Management Board, the Executive Leadership Team is responsible for strategy development, the operational management of the Company and the achievement of its goals and results. The Executive Leadership 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 Leadership 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, currently the members of the Executive Leadership Team are: Paul Cornwell, Tim Deaver, Brian Hart, Louise Helmbold, Juan Carlos Lopez, Luis Martin Navajas, William Wheatland and Markus Mannl. 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 Leadership 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. Stating the matters to be discussed, 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 2023 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 June 2023. 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 Dr. Manfred Krischke (Chairman), Peter Müller-Brühl and Margaret Abernathy.

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 Bulent Altan (Chairman), Peter Müller-Brühl and Margaret Abernathy.

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 Bulent Altan (Chairman), Peter Müller-Brühl and Margaret Abernathy.

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

- 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.

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:

		Bülent Altan	Manfred Krischke	Peter Müller-Brühl	Margaret Abernathy
Length of membership	Member since	2023	2017	2018	2023
Personal aptitude	Independence		x	x	x
	No overboarding	x	x	x	x
Diversity	Date of birth	28.281	24.182	24.877	31.480
	Gender	Male	Male	Male	Female
	Nationality	US American	German	German	US American
	International experience/ international background	x	x	x	x
	Education/professional background	Aerospace engingeering	Aerospace engineering	Business administration	Law
Competences	Knowledge of the industry	x	x	x	x
	Experience or knowledge in aerospace, transportation and/or communication industries	x	x	x	x
	Experience or knowledge of manufacturing	x	x	x	x
	Personal matters relating to the Management Board	x	x	x	x
	Expert pursuant to Sec. 100 para. 5 AktG				
	Accounting expert		x	x	
	Audit expert		x	x	x
	Sustainability		x	x	x

Target figures for the proportion of women

On the Supervisory Board

The Supervisory Board of Mynaric AG currently consists of four members, one of them a woman, which corresponds to a proportion of women on the Supervisory Board of 25%.

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, and with such target to be achieved by March 31, 2027. The Annual General Meeting 2023 has elected Margaret Abernathy as member of the Supervisory Board. Until December 31, 2023, the Supervisory Board thus consisted of five members, thereof one woman. Since the resignation of Hans Königsmann, Ph.D., from his office as member of the Supervisory Board with effect as of December 31, 2023, the Supervisory Board consists of four members, thereof one woman. The target figure for the proportion of women on the Supervisory Board thus has been and is met. At the Annual General Meeting 2024, it is intended to elect a new member to the Supervisory Board. The target figure for the proportion of women on the Supervisory Board of 20% shall then continuously be met.

On the Management Board

The Management Board of Mynaric AG currently consists of three 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 1/3, i.e., at least one in three 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 not 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.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statements of profit/loss and other comprehensive income/loss

Consolidated statements of financial position

Consolidated statements of changes in equity

Cash flows statements

Notes

I. Consolidated statements of profit/loss and other comprehensive income/loss for the years ended December 31, 2023, and 2022

- for the year ended December 31 -

€ thousand	Note	2023	2022
Revenue	6	5.390	4.422
Change in inventories of finished goods and work in progress	7	-776	760
Own work capitalized	8	818	1.567
Other operating income	9	3.624	2.376
Cost of materials	10	-16.771	-15.434
Personnel costs	11	-36.604	-37.410
Depreciation, amortization and impairment	12	-11.622	-7.989
Other operating costs	13	-23.222	-22.082
Operating result (1)		**-79.163**	**-73.790**
Financial income (2)	14	911	0
Financial costs (3)	14	-16.035	-2.545
Net foreign exchange result	14	562	2.574
Financial result (4)		**-14.562**	**29**
Share of profit of equity-accounted investees, net of tax	20	-355	-45
Result before tax (5)		**-94.080**	**-73.806**
Income tax expense	15	552	24
Consolidated group result (6)		**-93.528**	**-73.782**
Other comprehensive result			
Items which may be subsequently reclassified to profit and loss			
Foreign operations – foreign currency translation differences		1.126	-411
Other comprehensive result for the period after tax		**1.126**	**-411**
Total comprehensive result for the period		**-92.402**	**-74.193**
Weighted average ordinary shares outstanding (basic and diluted)		6.043.142	5.435.839
Basic and diluted loss per share in EUR		-15,48	-13,57

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

(1) Referred to as “Operating profit/loss" in the consolidated financial statements of the Company as of and for the financial year ended December 31, 2022.
(2) Referred to as “Interest and similar income" in the consolidated financial statements of the Company as of and for the financial year ended December 31, 2022.
(3) Referred to as “Interest and similar expenses" in the consolidated financial statements of the Company as of and for the financial year ended December 31, 2022.
(4) Referred to as “Net finance income/(costs)" in the consolidated financial statements of the Company as of and for the financial year ended December 31, 2022.
(5) Referred to as “Loss before tax" in the consolidated financial statements of the Company as of and for the financial year ended December 31, 2022.
(6) Referred to as “Consolidated net profit/loss" in the consolidated financial statements of the Company as of and for the financial year ended December 31, 2022.

II. Consolidated statements of financial position as of December 31, 2023 and 2022

€ thousand	Note	December 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Intangible assets	17	13.336	18.058
Property, plant and equipment	18	22.936	22.309
Right-of-use assets	19	26.168	8.782
Equity-accounted investees	20	0	355
Other financial assets (1)	23	1.200	449
Total non-current assets		**63.640**	**49.953**
Current assets			
Inventories	21	22.695	13.348
Trade receivables	22	300	1.101
Other financial and non-financial assets	23	8.493	5.681
Cash and cash equivalents	24	23.958	10.238
Total current assets		**55.446**	**30.368**
TOTAL ASSETS		**119.086**	**80.321**

€ thousand	Note	December 31, 2023	December 31, 2022
EQUITY AND LIABILITIES			
EQUITY			
Share capital	26	6.234	5.668
Capital reserve		204.025	189.269
Accumulated deficit		-260.077	-166.549
Accumulated other comprehensive result		531	-595
TOTAL EQUITY		**-49.287**	**27.793**
LIABILITIES			
Non-current liabilities			
Provisions	27	1.114	217
Lease liabilities (2)	33	19.833	7.087
Contract liabilities	29	11.663	0
Loans and borrowings	30	59.496	0
Other financial liabilities	31	167	249
Deferred tax liabilities	15	1.215	1.766
Total non-current liabilities		**93.488**	**9.319**
Current liabilities			
Provisions	27	686	723
Lease liabilities (2)	33	5.440	1.855
Trade and other payables	28	16.555	9.238
Contract liabilities	29	47.256	15.297 (4)
Loans and borrowings (3)	30	3.286	14.440
Other financial liabilities	31	1.041	90
Other non-financial liabilities	32	621	1.566 (4)
Total current liabilities		**74.885**	**43.209**
TOTAL LIABILITIES		**168.373**	**52.528**
TOTAL EQUITY AND LIABILITIES		**119.086**	**80.321**

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

(1) Referred to as "Other non-current financial assets" in the consolidated financial statements of the Company as of and for the financial year ended December 31, 2022.
(2) Referred to as "Non-current lease liabilities" in the consolidated financial statements of the Company as of and for the financial year ended December 31, 2022.
(3) Referred to as "Current lease liabilities" in the consolidated financial statements of the Company as of and for the financial year ended December 31, 2022.
(4) Adjusted as per Note 29.

III. Consolidated statements of changes in equity for the years ended December 31, 2023, and 2022

€ thousand	Share capital	Capital reserve	Accumu-lated deficit	Foreign currency translation differences	Total
Balance at January 1, 2022	**5.243**	**172.622**	**-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 group result			-73.782		-73.782
Other comprehensive result				-411	-411
Total comprehensive result for the period			**-73.782**	**-411**	**-74.193**
Balance at December 31, 2022	**5.668**	**189.269**	**-166.549**	**-595**	**27.793**
Balance at January 1, 2023	**5.668**	**189.269**	**-166.549**	**-595**	**27.793**
Issue of ordinary shares	566	12.204			12.770
Share issue costs		-1.420			-1.420
Equity-settled share-based payments		3.972			3.972
Consolidated group result			-93.528		-93.528
Other comprehensive result				1.126	1.126
Total comprehensive result for the period			**-93.528**	**1.126**	**-92.402**
Balance at December 31, 2023	**6.234**	**204.025**	**-260.077**	**531**	**-49.287**

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

IV. Consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021

- for the year ended December 31 -

€ thousand	Note	December 31, 2023	December 31, 2022
Cash flows from operating activities			
Consolidated group result for the period		**-93.528**	**-73.782**
Adjustments for:			
Income tax expense	15	-552	-24
Depreciation, amortization and impairment	12	11.622	7.989
Loss from disposals of non-current assets		630	109
Net finance (income) and costs	14	15.124	2.545
Equity-settled share-based payments	11	3.972	6.133
Share of profit of equity-accounted investees, net of tax	20	355	45
Net foreign exchange result	14	-562	-2.574
Changes in:			
Inventories		-9.379	-4.958
Trade receivables		732	-1.120
Other financial and non-financial assets		-3.744	-87
Provisions		296	-296
Trade and other payables		5.908	2.235
Contract liabilities	29	39.760	15.144 (1)
Other financial liabilities		336	-22
Other non-financial liabilities	29	46	-1.552 (1)
Net cash used in operating activities		**-28.984**	**-50.215**
Cash flows from investing activities			
Acquisition of intangible assets		-70	-1.120
Acquisition of property, plant and equipment		-4.851	-10.179
Acquisition of equity-accounted investees	20	0	-400
Interest received	14	333	0
Net cash used in investing activities		**-4.588**	**-11.699**
Cash flows from financing activities			
Proceeds from issue of share capital	26	12.769	11.201
Share issue costs	26	-1.420	-262
Proceeds from loans and borrowings	30	67.723	13.529
Transaction costs related to loans and borrowings	30	-5.796	-450
Repayments of loans and borrowings		-13.185	-96
Payments of lease liabilities		-2.264	-1.713
Interest expenses paid		-10.740	-241
Net cash from financing activities		**47.087**	**21.968**
Net increase/(decrease) in cash and cash equivalents		**13.515**	**-39.946**
Cash and cash equivalents at January 1		10.238	48.143
Effects of movements in exchange rates on cash and cash equivalents		205	2.041
Cash and cash equivalents at December 31	24	**23.958**	**10.238**

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

(1) Adjusted as per Note 29.

V. Notes to the Consolidated Financial Statements

1. General information

Mynaric AG ('Company') registered in Commercial Register at Munich Local Court (Reg. No. HRB 232763), has its registered office at Dornierstraße 19 in 82205 Gilching, Germany, and its administrative office at Bertha-Kipfmüller-Straße 2-8 in 81249 Munich, Germany. These consolidated financial statements as at and for the financial year ended December 31, 2023, comprise the Company and its controlled subsidiaries (together referred to as 'Group'). The objective of the Group is the development, manufacture and sale of laser communication network equipment, software, systems, and solutions, particularly for aerospace applications and related products. The Group engages primarily in the manufacturing and sale of products and projects, and in the provision of services related to laser technology, particularly for applications in aerospace, and satellite services.

2. Basis of accounting

The Group'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 Standards Interpretations Committee ("IFRIC"). Also the additional requirements of the German Commercial Code pursuant to Sec. 315e (1) HGB are considered.

These consolidated financial statements have been authorized for issue by the Company's supervisory board on July 12, 2024.

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, 2023, the Group recognized a net loss of €93,5 million while the Group's net current assets as of December 31, 2023, amount to negative €19,4 million and the equity amounts to negative €49,3 million. As of the date of the authorization of these consolidated financial statements the Group has €13,3 million in cash and cash equivalents as well as an undrawn amount of $5 million of the term loan facility.

While the majority of the revenue planned for the 2024 financial year and a significant portion of the revenue planned for the 2025 financial year are contractually committed and advance payments for these contracts have already been received, the Group is dependent on winning further large public project tenders and receiving corresponding advance payments from the tenders won. Management is actively pursuing several opportunities in the commercial and public sector to sell its CONDOR terminals to a growing customer base. In order to realize these planned sales increases, series production must be ramped up. To this end, the Group has already made the majority of the necessary investments in property, plant and equipment as well as in product development and improvement. The liquidity required until the start of series production is mainly needed to cover ongoing operating costs.

Taking into account the Group's existing liquidity as at July 10, 2024, and the cash inflows and outflows planned and expected by management, management is of the opinion that the Group has sufficient liquidity to finance its operations for at least the next twelve months from the date of approval of these consolidated financial statements. However, no assurance can be given that sales and the corresponding customer payments will be received in the expected amount or at the required time. A shortfall in the planned sales revenue or planned customer payments could make additional external financing necessary in order to cover the Group's planned liquidity requirements. Should the Group not be able to obtain additional financing in such a situation or respond to this through other timely measures, such as a significant reduction in the 2024 operating budget, the Group may not be able to continue its business activities.

The events and conditions described above indicate that a material uncertainty exists that may cast significant doubt about Mynaric's ability to continue as a going concern, such that the Group may not be able to realize our assets and discharge our 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 recognized expenses that would otherwise be necessary if the going concern assumption were 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 December 31, 2023, and 2022 and for years ended December 31, 2023, and 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, Munich	100.0	fully consolidated
Mynaric Systems GmbH, Munich	100.0	fully consolidated
Mynaric USA, Inc., Los Angeles, USA	100.0	fully consolidated
Mynaric Government Solutions, Inc., Arlingtion, USA	100.0	fully consolidated

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), or in accordance with IFRS 15.15 a) when the Group has performed all services and received all payments for a contract that was not initially accounted for as a contract with a customer in accordance with IFRS 15.

The Group considers whether there are multiple promises in the contract that represent separate performance obligations to which a portion of the transaction price should be allocated. In determining the transaction price for such contracts, the Group considers the effect of variable consideration, the existence of a significant financing component, non-cash consideration and consideration payable to the customer (if any).

Most of the contracts with customers include multiple payment milestones that differ from the fulfillment of performance obligations. The Group typically receives a significant portion of the payments in advance. Therefore, the Group assesses each contract for a significant financing component, taking into account the period between the customer's payment and the fulfillment of the performance obligation, as well as the prevailing market interest rate. In such cases, the transaction price represents the consideration promised plus the interest element. A financing component is considered significant if the interest element exceeds 5% of the total amount of all payments under a contract. The implicit interest rate that determines the interest element is derived from existing financing arrangements, taking into account the risk-free interest rate for the expected term of the contract at point in time of contract inception.

Where a contract with a customer includes a significant financing component, the Group recognizes the interest element implicit in the contract as interest expense. The recognition of interest expense is based on contract milestones. Past milestones reflect the dates of actual payment and actual fulfillment of performance obligations. Milestones after December 31, 2023 ("Future Milestones") are based on the Group's long-term financial planning. If Future Milestones differ from the expected dates, the Group must adjust the recognition of interest expense accordingly.

The Group applies the practical expedient for short-term customer advances at contract level. This means that the amount of consideration promised is not adjusted for the effects of a significant financing component if the period between the transfer of the last promised good or service and the first payment is one year or less.

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 amounts that depicts the amount of consideration to which the Group 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 Group's performance, the Group creates or enhances an asset that is controlled by the customer, or the Group creates an asset without an alternative use to the Group and simultaneously has an enforceable right to payment for performance completed.

The Group 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 either issued based on the agreed payment plan of the respective contract or at that point in time of the delivery. Invoices are usually payable within 10 to 60 days.	Revenue is recognized at point in time when the customer obtains control over the product. Generally, this happens, when the product is delivered at the place agreed in the customer agreement. Advances received are presented as contract liabilities.
Training, support and other services	The Group 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 10 to 60 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 Group 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 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

- interest income
- interest expense
- the net gain or loss on financial assets/liabilities at fair value through profit and loss ("FVTPL")
- the foreign currency gain or loss on financial assets and financial liabilities

Interest income or expense is recognised under the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset or to the amortised cost of the liability.

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 lifes 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 Group 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 ranges between two and 20 years for computer hardware, between three and 20 years for machinery, furniture, fixtures, and office equipment and for leasehold improvements between two and 10 years.

The useful lifes, 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-financial assets

At each balance sheet date, the Group assesses whether there is any indication that a non-financial (other than inventories) asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the non-financial asset. For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or cash-generating units. 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 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 exceeding amount in profit or loss. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell (FVLCOD) and its value in use.

The FVLCOD and the value in use are generally based on the estimated future cash flows of the cash-generating unit, discounted to their present value using a risk- adjusted post-tax discount rate. The future cash flows are determined on the basis of long-term corporate planning approved by management and in effect at the time the impairment test is performed.

With respect to the capitalized development costs for AIR Technology and SPACE Technology, the Group determines the recoverable amount using an income approach based on the Relief-from-Royalty-method. Under the Relief-from-Royalty-method, the royalty savings (cash flows) from owning an intangible asset are approximated by the royalty payments that the owner of that asset saves compared to the alternative of licensing a comparable asset. The calculation is based on the actual royalty payments that would be required if the intangible asset were not owned. The recoverable amount of the intangible asset is the present value of the hypothetical royalty payments.

At each reporting date, the Group assesses whether an impairment loss recognized in prior periods no longer exists or may have decreased. In such cases, the Group recognizes a partial or full reversal of the impairment loss by increasing the carrying amount to the recoverable amount. However, the increased carrying amount 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. In addition, inventory related to product versions is written off when the intent to sell is discontinued. Write-downs are reversed when the reasons for impairment 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 or embedded derivatives.

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 subsequently measured at:

- AC – amortised cost
- FVTPL – Fair value through profit or loss

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 Group 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 ("FVTPL")

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. 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 Group 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 Group 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 for financial assets 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 Group also accounts for lifetime ECL and recognizes an impairment. The Group 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 Group applies this general approach for cash and cash equivalents as well as other financial 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 in particular, which are not individually impaired, the Group applies the simplified approach under which lifetime ECL is recognized without monitoring the change in customers’ credit risk. To measure expected credit losses, trade receivables are aggregated based on common credit risk characteristics (risk classes) and days past due. The expected loss rates are derived from the historical payment profile of milestone invoices to customers over the two financial years preceding the balance sheet date. Adjusted for forward-looking macroeconomic factors, this historical and forward-looking information forms the basis for the expected probability of default.

Impairment losses and reversals of previous impairment losses are presented as Other operating costs in the consolidated statement of profit/loss and comprehensive income/loss.

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 borrowings. The Group'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 amortized cost ("FLAC")

This category comprises Trade and other payables, Other financial liabilities as well as Loans and borrowings. 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.

Derivative financial instruments ("FVTPL")

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial liability 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.

k) Income 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 income 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 income 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.

Current and deferred income taxes for 2023 were determined using the applicable tax rates. The Group applies a tax rate of 28,648% (2022: 27,725%, 2021: 27,725%) to calculate deferred taxes for Mynaric AG. This combined income tax rate comprises 15% corporation tax plus 5.5% solidarity surcharge thereon as well as 12,82% (2022: 11,90%, 2021: 11,90%) trade tax.The tax rate for the trade tax increased due to the move of the Group's headquarter from Gilching to Munich.

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.

Uncertain tax positions

In cases for which it is probable that amounts declared as expenses in the tax returns might not be recognized (uncertain tax positions), a liability for income taxes is recognized. The amount is based on Group´s best estimate of the expected tax payment (expected value or most likely amount). Tax refund claims from uncertain tax positions are recognized when it is probable that they can be realized. In the case of tax loss, no liability for taxes or tax claim is recognized for these uncertain tax positions. Instead, the deferred tax assets for the unused tax loss carryforwards or tax credits are to be adjusted.

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 Group 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.

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.

Dismantling and restoration provisions

The Group is required to restore some of the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements and restore the premise. Costs, which are directly attributable to specific leasehold improvement, have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets. Remaining costs have been capitalised as part of the right-of-use-asset and are amortised over the useful life of the right-of-use-asset.

p) Leases

At contract inception, the Group 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 Group as lessee

The Group 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 Group 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, less 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 expected useful life of the leased asset, as follows:

- Real estate – 3 to 15 years
- Other leases – 4 to 6 years

If ownership of the leased asset is transferred to the Group 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 Group 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, initially measured using the index or rate as at the commencement date 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 Group 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 lease liability is measured at amortised cost under the effective interest method. The Group uses the interest rate implicit in the lease, if known to the Group, for the calculation of the present value of the lease payments. In the case of leases for which this interest rate is unknown, the Group applies its incremental borrowing rate as of the commencement date. The incremental borrowing rate is the rate of interest that the Group 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. 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 Group 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 Group 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 Group as a lessor

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

The Group 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 2023:

	Date of application
IFRS 17 Insurance Contracts	Jan. 1, 2023
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
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	Jan. 1, 2023
International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12	May 23, 2023

The Group has adopted all the foregoing amendments in 2023, 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 Group.

	Date of application
Non-current Liabilities with Covenants - Amendments to IAS 1 and Classification of Liabilities as Current or Non-current - Amendments to IAS 1	Jan. 1, 2024
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	Jan. 1, 2024
Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	Jan. 1, 2024
Lack of Exchangebility - Amendsments to IAS 21	Jan. 1, 2025
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Available for optional adoption / effective date deferred indefinitely

The Group 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 Group.

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 Group 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 Group 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 management's expectation of the Group's future use of the building, except for the extension option for the new leased headquarter in Munich (Germany). Had lease extension options been included also in other leases, 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.

To measure the right-of-use asset and the corresponding lease liability at commencement date of a lease or upon modification of a lease, the Group uses the incremental borrowing rate to discount the lease payments. Judgment is required in determining the method to determine the relevant discount rate at which the Group would borrow in a similar economic environment. The Group determines its incremental borrowing rate by obtaining interest rates from external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased (refer to Note 30). Using a different method might lead to a different discount rate, which might have a significant impact on the right-of-use asset and lease liability.

4.2. Estimates and assumptions

Information about assumptions and estimation uncertainty as of December 31, 2023, 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 Group 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. As there is no specific standard or interpretation to evaluate the probability of projected future taxable income of the Group entities, the Group uses it's internal financial long-term planning. Deviations from the future from long-term planning may have a significant impact on the deferred tax assets.

b) Impairment test for non-financial assets

At each balance sheet date, the Group assesses whether there is any indication that a non-financial asset including capitalized development costs may be impaired. The impairment tests require estimates to be made in order to determine the recoverable amount of the 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 2023, 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.

c) 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. Also, if the Group does not intend to sell product product version anymore, all related inventories are written down. This primarily relates to CONDOR Mk1, Mk2 and CONDOR MEO as well as HAWK (refer to Note 21).

5. Segment reporting and information on geographical areas

In accordance with IFRS 8 (Operating Segments), the Group'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 37) 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 Group's operating segments.

Segment results are as follows for the year ended December 31, 2023:

€ thousand	For the year ended December 31, 2023			
	AIR	SPACE	Not allocated	Group
Revenue	0	5.390	0	5.390
Operating result	**-16.672**	**-53.984**	**-8.507**	**-79.163**
Financial income				911
Financial costs				-16.035
Net foreign exchange result				562
Financial result				**-14.562**
Share of profit of equity-accounted investees, net of tax				-355
Result before tax				**-94.080**
Income tax expense				552
Consolidated group result				**-93.528**

Segment results are as follows for the year ended December 31, 2022:

€ thousand	For the year ended December 31, 2022			
	AIR	SPACE	Not allocated	Group
Revenue	1.384	3.038	0	4.422
Operating result	**-20.929**	**-46.773**	**-6.088**	**-73.790**
Financial costs				-2.545
Net foreign exchange result				2.574
Financial result				**29**
Share of profit of equity-accounted investees, net of tax				-45
Result before tax				**-73.806**
Income tax expense				24
Consolidated group result				**-73.782**

"Not allocated" costs include the following:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
D&O insurance and other costs related the stock listing	3.796	4.715
Costs related to financing acitivities	2.649	0
Cost for the audit of the financial statements	1.568	951
Supervisory Board remuneration	494	422
Total not allocated costs	**8.507**	**6.088**

Segment AIR

The segment AIR includes the Group's HAWK terminals and related services.

The segment AIR result includes:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Impairment of intangible assets	3.308	0
Impairment of property, plant and equipment	1.172	0
Write-downs of inventories	9.592	1.500
Segment AIR - Total impairment and write-downs	**14.072**	**1.500**

The impairment losses of intangible assets as well as property, plant and equipment are described in more detail in the Note 17 and Note 18. The write-downs of inventories are described in more detail in Note 10 and Note 21.

During the year ended December 31, 2023, depreciation and amortization included in the segment AIR amounts to €352 thousand (2022: €1.948 thousand).

Segment SPACE

The segment SPACE includes the Group's CONDOR terminals and related services.

The segment SPACE result includes:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Impairment of intangible assets	0	1.531
Write-downs of inventories	783	5.983
Impairment loss on trade receivables	337	0
Segment SPACE - Total impairment and write-downs	**1.120**	**7.514**

The impairment losses of intangible assets is described in more detail in the Note 17. The write-downs of inventories are described in more detail in Note 10 and Note 21. The impairment loss on trade receivables is described in Note 22.

During the year ended December 31, 2023, depreciation and amortization included in the segment SPACE amounts to €6.790 thousand (2022: €4.510 thousand).

Geographical regions of non-current assets

Non-current assets are allocated to the location of the respective asset:

€ thousand	December 31, 2023	December 31, 2022
Germany		
Intangible assets	13.336	18.058
Property, plant, and equipment	20.007	18.589
Right-of-use assets	24.497	6.447
Total - Germany	**57.840**	**43.094**
USA		
Property, plant, and equipment	2.929	3.720
Right-of-use assets	1.671	2.335
Total - USA	**4.600**	**6.055**
Total	**62.440**	**49.149**

6. Revenue

Revenue consist of the following:

€ thousand	For the year ended				
	December 31, 2023		December 31, 2022		
	SPACE	Total [(1)]	AIR	SPACE	Total
REVENUE SOURCE					
Products	1.420	1.420	1.384	399	1.783
Services	3.962	3.962	0	2.589	2.589
Operating lease income	8	8	0	50	50
Total	**5.390**	**5.390**	**1.384**	**3.038**	**4.422**
GEOGRAFIC REGION					
USA	5.390	5.390	1.384	3.038	4.422
Total	**5.390**	**5.390**	**1.384**	**3.038**	**4.422**
TIMING OF REVENUE RECOGNITION					
Products transferred at point in time	1.420	1.420	1.384	399	1.783
Service transferred over time	462	462	0	0	0
Services recognized at point in time	3.500	3.500	0	2.589	2.589
Operating lease income recognized over time	8	8	0	50	50
Total	**5.390**	**5.390**	**1.384**	**3.038**	**4.422**
Total revenues from contracts with customers	**5.390**	**5.390**	**1.384**	**3.038**	**4.422**
Revenue reported in consolidated statements of profit/(loss)	**5.390**	**5.390**	**1.384**	**3.038**	**4.422**

(1) No revenue in the AIR segment was recognized during the year ended December 31, 2023.

With respect to the information on geographical regions, revenue is allocated to the countries based on the country of origin of the respective customer.

During the year ended December 31, 2022, services recognized at point in time are recognized due to IFRS 15.15 b). In such case a customer breeched 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.

Revenue recognized from contract liabilities during the year ended December 31, 2023 which existed as of December 31, 2022, amounts to €3.517 thousand (2022: €211 thousand).

The share of total revenue per customer is as follows:

in % of total revenue	For the year ended			
	December 31, 2023		December 31, 2022	
	SPACE	AIR	SPACE	AIR
Customer A*	65%	0%	0%	0%
Customer B*	12%	0%	1%	15%
Customer C*	0%	0%	58%	0%
Customer D*	0%	0%	0%	16%
Customer E*	0%	0%	0%	0%
Other	23%	0%	10%	0%

* The customers are disclosed anonymized

The Group's order backlog, in terms of the total transaction price of unfulfilled or partially unfulfilled performance obligations as at the December 31, 2023, is as follows:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Total transaction price of unfulfilled or partially unfulfilled performance obligations	**204.997**	**72.455**
Thereof expected to be recognized as revenue within 12 month	101.499	32.790
Thereof expected to be recognized as revenue within 13 to 24 month	93.363	39.141
Thereof expected to be recognized as revenue over 24 month	10.135	524

The revenue expected in the previous year for the 2022 financial year has been postponed almost entirely by 12 months. The postponement is mainly due to the finalization of the development of the CONDOR Mk3 product.

7. Changes in inventories of finished goods and work in progress

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

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Increase/(decrease) in inventories of work in progress	-755	2.100
Increase/(decrease) in inventories of finished goods	786	542
Write-downs	-806	-1.882
Total	**-776**	**760**

The write-downs during the year ended December 31, 2023, refer mainly to the HAWK terminal production, which result from general decision on the HAWK solution and the underlying AIR Technology (refer to Note 17). The write-downs during the year ended December 31, 2022, refer mainly to CONDOR Mk2 and Mk1 terminals that were written down to their net realizable value.

8. Own work capitalized

The following table shows the breakdown of own work capitalized:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Development costs	0	968
Property, plant and equipment	818	599
Total	**818**	**1.567**

9. Other operating income

Other operating income consist of the following:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Income from grants	3.299	2.091
Miscellaneous operating income	325	285
Total	**3.624**	**2.376**

10. Cost of materials

Cost of materials consist of the following:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Raw materials and consumables used	14.492	13.007
Costs for services purchased	2.279	2.427
Total	**16.771**	**15.434**

Included in the cost of materials are write-downs for the year ended December 31, 2023, in the amount of €9.569 thousand (2022: €5.601 thousand).The write-downs for the year ended December 31, 2023, refer mainly to materials relevant for production of HAWK. The write-downs on HAWK materials result from general decision on the HAWK solution and the underlying AIR Technology (refer to Note 17). 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 corresponding raw materials were written down to their recoverable amount.

11. Personnel costs

Personnel costs consist of the following:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Wages and salaries	27.602	26.318
Social security contributions, pensions and other employee benefits	5.031	4.959
Share-based payments	3.972	6.133
Total	**36.604**	**37.410**

Under defined contribution pension plans, the Group paid contributions to governmental pension schemes for the year ended December 31, 2023, in the amount of €1.914 thousand (2022: €1.799 thousand).

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

The Group granted stock options to selected employees under the following stock option plans ("SOP"):

2019 Stock Option Plan ("SOP 2019")

A stock option entitles the holder to the right to purchase Group 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 Group shares during the vesting period. The stock options can be exercised only if the volume-weighted six-month average price of the Company 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. In 2019 under the SOP 2019, 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 waive 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 (EUR 5.93 per option) of the new grant is recorded in P&L.

2020 Stock Option Plan ("SOP 2020")

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 shares during the vesting period. The stock options can be exercised only if the volume-weighted six-month average price of the Company 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.

2021 Stock Option Plan ("SOP 2021")

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 shares during the vesting period. The stock options can be exercised only if the volume-weighted six-month average price of the Company 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 ("SOP 2022")

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 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 waive 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 total related expense equal to €58.378 of the new grant is recorded in P&L.

2023 Stock Option Plan ("SOP 2023")

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 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.

Granting of stock options to Mr. Altan ("Tranche Altan")

During the year ended December 31, 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 optionholder. All conditions under the option agreement with Mr. Altan were fulfilled in December 2020. While the Initial Exercise Period would have expired, Apeiron and Mr. Altan agreed to extend the exercise period under the Altan Option Agreement to December 31, 2022. The option was not exercised.

All of the aforementioned SOP's 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 following table provides the development of the stock options during the year ended December 31, 2023:

	SOP 2019	SOP 2020	SOP 2021	SOP 2022	SOP 2023
Options outstanding as of Jan. 1, 2023	222.250	14.000	60.000	108.000	0
Options granted	0	0	20.000	7.000	48.000
Options forfeited	64.400	0	0	0	0
Options exercised	0	0	0	0	0
Options expired	0	0	0	0	0
Options outstanding as of Dec. 31, 2023	157.850	14.000	80.000	115.000	48.000
Options exercisable as of Dec. 31, 2023	0	0	0	0	0

The following table provides the development of the stock options during the year ended December 31, 2022:

	SOP 2019	SOP 2020	SOP 2021	SOP 2022	Tranche Altan
Options outstanding as of Jan. 1, 2022	236.250	14.000	100.000	0	56.700
Options granted	2.500	0	0	108.000	0
Options forfeited	16.500	0	0	0	0
Options exercised	0	0	0	0	0
Options expired	0	0	40.000	0	56.700
Options outstanding as of Dec. 31, 2022	222.250	14.000	60.000	108.000	0
Options exercisable as of Dec. 31, 2022	0	0	0	0	0

A total of 40,000 options from the SOP 2021 were waived, which was compensated for by the granting of 33,000 new stock options under the SOP 2022. The waived stock options are presented as expired.

Measurement model and inputs

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

The table below provides the inputs used for the model during the year ended December 31, 2023:

	SOP 2019	SOP 2020	SOP 2021	SOP 2022	SOP 2023
Exercise price (in €)	37.31 - 71.15	61.27	20.25 - 71.15	20.25 - 32.90	21,20
Term in years	7,0	7,0	7,0	9,0	9,0
Remaining term in years	2.8 - 5.5	3,8	4.5 - 6.5	7.8 - 8.5	9,0
Share price as of the valuation date (in €)	27.55 - 80.20	75.46	23.50 - 80.20	19.76 - 23.50	21,20
Expected dividend yield (in %)	0,00	0,00	0,00	0,00	0,00
Expected volatility (in %)	36.39 - 48.45	36.39	36.90 - 39.81	35.31 - 37.68	53,80
Risk-free interest rate (in %)	-0.74 - 1.12	-0,65	-0.40 - 2.47	2.02	1.97
Option value (in €)	5.72 - 26.14	26.14	9.25 - 25.17	1.97 - 7.51	8.76

The table below provides the inputs used for the model during the year ended December 31, 2022:

	SOP 2019	SOP 2020	SOP 2021	SOP 2022	Tranche Altan
Exercise price (in €)	37.31 - 71.15	61.27	71.15	32,90	25,00
Term in years	7,0	7,0	7,0	9,0	1.7
Remaining term in years	3.8 - 6.5	4,8	5,5	8,8	0,0
Share price as of the valuation date (in €)	27.55 - 80.20	75,46	80,20	19,76	43,39
Expected dividend yield (in %)	0,00	0,00	0,00	0,00	0,00
Expected volatility (in %)	36.39 - 48.45	36,39	36,90	35,31	51,31
Risk-free interest rate (in %)	-0.74 - 1.12	-0,65	-0,4	2,02	-0,82
Option value (in €)	5.72 - 26.14	26,14	25,17	1.97 - 2.01	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. The expected volatility is based on an evaluation of the historical volatility for matching maturities of the Group's peer group. Since December 2023, the Group determines the expected volatility based on an evaluation of the historical volatility for matching maturities of the Company's share price. 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, 2023, under the Stock Option Plans is €1.942 thousand (2022: €2.300 thousand). The equity-settled share-based payment recognized cumulatively in the capital reserve amount to €7.058 thousand as of December 31, 2023 (2022: €5.116 thousand).

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

Subscription rights in the form of restricted stock units (RSUs) were granted to selected employees under the following programs:

RSUP 2021

A 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 shares on the primary stock exchange (Xetra).The vesting period of the RSUs is four years after the grant date of the subscription rights. RSUs will vest in installments 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 2021/II (refer to Note 26) or (ii) by way of a cash settlement. The vested entitlement is expected to be settled once a year within 40 trading days after publication of the annual financial statements of Mynaric AG by issuing new shares.

RSUP 2022

A 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 shares on the primary stock exchange (Xetra).The vesting period of the RSUs is four years after the grant date of the subscription rights. RSUs will vest in installments 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 (refer to Note 26) or (ii) by way of a cash settlement. The vested entitlement is expected to be settled once a year within 40 trading days after publication of the annual financial statements of Mynaric AG by issuing new shares.

Grants under both aforementioned RSUPs have been classified and measured as equity-settled share-based payment in accordance with IFRS 2.

The following table provides the development of the RSUs during the year ended December 31, 2023:

	RSUP 2021	RSUP 2022
RSUs outstanding as of Jan. 1, 2023	181.434	0
RSUs granted	0	27.596
RSUs forfeited	50.906	2.933
RSUs exercised	0	0
RSUs expired	0	0
RSUs outstanding as of Dec. 31, 2023	130.528	24.663
RSUs exercisable as of Dec. 31, 2023	65.368	332

The following table provides the development of the RSUs during the year ended December 31, 2022:

	RSUP 2021
RSUs outstanding as of Jan. 1, 2022	100.196
RSUs granted	118.551
RSUs forfeited	20.963
RSUs exercised	16.149
RSUs expired	0
RSUs outstanding as of Dec. 31, 2022	181.434
RSUs exercisable as of Dec. 31, 2022	27.100

Measurement model and inputs

The valuation of the present RSU programs was performed using a binomial model considering the option terms.

The table below provides the inputs used for the model during the year ended December 31, 2023:

	RSUP 2021	RSUP 2022
Exercise price (in €)	0,00	0,00
Term in years	4.5 - 5.3	4.5 - 5.3
Remaining term in years	2.3 - 3.3	4.3
Share price as of the valuation date (in €)	19.76 - 80.60	16.20 - 23.50
Expected dividend yield (in %)	0,00	0,00
Expected volatility (in %)	38.89 - 45.59	39.88 - 45.72
Risk-free interest rate (in %)	-0.62 - 1.92	2.30 - 2.77
RSU-value (in €)	19.76 - 80.60	16.20 - 23.47

The table below provides the inputs used for the model during the year ended December 31, 2022:

	RSUP 2021
Exercise price (in €)	0,00
Term in years	4.5 - 5.3
Remaining term in years	3.3 - 4.3
Share price as of the valuation date (in €)	19.76 - 80.60
Expected dividend yield (in %)	0,00
Expected volatility (in %)	38.89 - 45.59
Risk-free interest rate (in %)	-0.62 - 1.92
RSU-value (in €)	19.76 - 80.60

The implied rate of return of German government bonds with matching maturities was used for determining the risk-free interest rate. The expected volatility is based on an evaluation of the historical volatility for matching maturities of the Group's peer group. Since December 2023, the Group determines the expected volatility based on an evaluation of the historical volatility for matching maturities of the Company's share price. 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, 2023, under the RSUPs is €1.280 thousand (2022: €3.832 thousand). The equity-settled share-based payments recognized cumulatively in the capital reserve amount to €6.541 thousand as of December 31, 2023 (2022: €5.261 thousand).

11.3. Equity-settled share-based payment (severance compensation)

The former CEO Bulent Altan left the Board of Management as of August 7, 2023. The Group agreed on a severance compensation in the amount of €750 thousand. This compensation can be settled either by issuing shares or by a cash payment. This transaction is accounted as equity-settled share-based payment since the Group has the choice of settlement. The Company expects to settle the compensation by issuing new shares under the Authorized Capital 2023/I.

12. Depreciation, amortization and impairment

Depreciation, amortization and impairment consist of the following:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Amortization of intangible assets	1.481	1.545
Depreciation of property, plant and equipment	3.738	3.254
Depreciation of right-of-use assets	1.923	1.659
Total	**7.142**	**6.458**
Impairment of intangible assets	3.308	1.531
Impairment of property, plant and equipment	1.172	0
Total	**4.480**	**1.531**
Total depreciation, amortization and impairment	**11.622**	**7.989**

The recognized impairment during the year ended December 31, 2023, relates to the capitalized AIR Technology and related property, plant and equipment (refer to Note 17 and Note 18). The recognized impairment during the year ended December 31, 2022, relates to the capitalized CONDOR MEO Technology (refer to Note 17).

13. Other operating costs

Other operating costs consist of the following:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Legal and consulting fees	8.129	6.955
Office and IT costs	4.680	4.236
Insurance	3.106	4.855
Other business supplies, equipment and services	2.529	1.835
Incidental rental costs and maintenance	1.860	814
Selling and travel costs	1.115	2.279
Disposals of property, plant and equipment	630	0
Loss allowance on trade receivables (ECL)	337	0
Other costs	836	1.108
Total	**23.222**	**22.082**

Further information on the loss allowance on trade receivables in Note 22.

14. Financial result

Financial result consists of the following:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
FINANCIAL INCOME		
Income from the fair value measurement of financial instruments	578	0
Interest income from fixed deposit	333	0
Total	**911**	**0**
FINANCIAL COSTS		
Interest and similar costs on loans	-10.209	-2.121
Interest on contract liabilities due to significant financing component	-5.078	0
Interest on lease obligations	-652	-229
Expenses from the fair value measurement of financial instruments	-172	-282
Borrowing costs capitalized in accordance with IAS 23	77	87
Total	**-16.035**	**-2.545**
NET FOREIGN EXCHANGE RESULT		
Net foreign exchange result	**562**	**2.574**
Financial result	**-14.562**	**29**

15. Income taxes

€ thousand	For the year ended December 31, 2023	For the year ended December 31, 2022
Loss before taxes	-94.080	-73.806
Expected taxes applying the domestic tax rate of 28.648% (previous year: 27.725%)	-26.952	-20.463
Effect of income tax rate change	52	0
Foreign tax rate differential	97	-19
Tax effect of expenses that are not deductible for tax purposes / tax adjustments	445	267
Tax effect from losses incurred in the current year and deductible temporary differences for which no deferred taxes were recognized	25.670	18.160
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	-189	-448
Write-up/-down of deferred tax assets	1.164	451
Effect of equity-settled share-based payments	66	1.630
Permanent effects from equity transactions and investments	-292	0
Other	-613	399
(Tax benefit) / Tax expense for the fiscal year	**-552**	**-24**

The tax income in the 2022 and 2023 financial years results exclusively from deferred taxes.

Due to the 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 €249.550 thousand (2022: €157.043 thousand) and for trade tax loss carryforwards in Germany in the amount of €245.154 thousand (2022: €154.986 thousand). The same applies to foreign tax loss carryforwards in the amount of €16.652 thousand (2022: €17.552 thousand). Deductible temporary differences were not recognized in the amount of €4.283 thousand (2022: €1.699 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, 2023, domestic loss carryforwards totaled €256.941 thousand for corporation tax and €252.481 thousand for trade tax (2022: €168.538 thousand and €166.481 thousand, respectively). These loss carryforwards do not expire. Foreign tax loss carryforwards in the amount of €0 thousand will expire in 2037 if not used (2022: €648 thousand). Foreign tax loss carryforwards in the amount of €16.652 thousand (2022: €16.904 thousand) do not expire.

During the year ended December 31, 2023, the Group used previously unrecognised tax losses to reduce current tax expense in the amount of €189 thousand (2022: €0 thousand).

Balance of deferred tax assets and liabilities:

€ thousand	December 31, 2023		December 31, 2022	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	3.731	12	4.901
Right-of-use-assets	0	7.004	0	2.236
Property, plant, and equipment	808	0	333	0
Other non-financial assets	0	0	0	48
Inventories	0	381	2	121
Other financial and non-financial assets	85	0	0	0
Provisions	435	1	56	1
Lease liabilities	6.607	0	2.221	0
Contract Liabilities	1.287	0	0	0
Other financial and non-financial liabilities	20	1.449	0	273
Tax loss carryforwards and tax credits	2.109	0	3.187	0
Offsetting	-11.351	-11.351	-5.812	-5.812
Total	**0**	**1.215**	**0**	**1.767**

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 year ended	
	December 31, 2023	December 31, 2022
Consolidated net profit/loss in € thousand	-93.528	-73.782
Weighted-average number of ordinary shares, basic and diluted	6.043.142	5.435.839
Basic and diluted earnings per share in €	-15,48	-13,57

17. Intangible assets

Cost

€ thousand	Development costs	Software and licenses	Total
Balance as of Jan. 1, 2022	20.877	774	21.651
Additions	1.023	142	1.165
Balance as of Dec. 31, 2022	**21.900**	**916**	**22.816**
Additions	0	67	67
Balance as of Dec. 31, 2023	**21.900**	**983**	**22.883**

Amortization and impairment

€ thousand	Development costs	Software and licenses	Total
Balance as of Jan. 1, 2022	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**
Amortization for the year	1.297	184	1.481
Impairment for the year	3.308	0	3.308
Balance as of Dec. 31, 2023	**8.827**	**720**	**9.547**

Carrying amount

€ thousand	Development costs	Software and licenses	Total
Carrying amount as of Dec. 31, 2022	17.678	380	18.058
Carrying amount as of Dec. 31, 2023	13.074	262	13.336

During the year ended December 31, 2023, development costs in the amount of €21.572 thousand (2022: €18.019 thousand) were recognized as an expense since the criteria set out in IAS 38.57 were not met. Of the total amount of €21.572 thousand (2022: €18.986 thousand), development costs of €0 thousand (2022: €967 thousand) were capitalized.

Capitalized development costs

The Group did not capitalize any development costs during the year ended December 31, 2023. During the year ended December 31, 2022, the Group capitalized costs for the development of the CONDOR MEO. However, the CONDOR MEO Technology was subsequently impaired in the amount of €1,531 thousand. The development activities for the base SPACE Technology were completed in March 2021. The amortization of the associated capitalized development costs for SPACE Technology started on March 1, 2021.The expected useful life of 15 years for the capitalized SPACE Technology 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 12 years for existing customer contracts, and the relatively high market entry barriers for competitors. This assumption is assessed annually.

During the the year ended December 31, 2023, no finance expenses (2022: €56 thousand) were capitalized as the cost of the development projects in accordance with IAS 23.

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

€ thousand	SPACE	AIR	CONDOR MEO	Total
Carrying amount as of Dec. 31, 2022	13.998	3.680	0	17.678
Carrying amount as of Dec. 31, 2023	13.074	0	0	13.074

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

in years	SPACE	AIR
Remaining useful life as of Dec. 31, 2022	13,2	12,5
Remaining useful life as of Dec. 31, 2023	12,2	0,0

Impairment test of capitalized development costs

AIR Technology

During the year ended December 31, 2023, the Group identified events that might trigger an impairment for the base AIR Technology, mainly due to the facts that the existing and capitalized AIR Technology will not be the basis for the production of HAWK terminals anymore. The Group continues to consider the HAWK market as a significant market and will continue to provide a laser terminal solution. However, the future HAWK solution will be using more components and software from the existing and capitalized SPACE Technology to benefit from similar production processes and the reduction of development and maintenance efforts for the technology.

During the year ended December 31, 2023, an impairment loss of €3.308 thousand is recognized as the recoverable amount is considered to be €0 as the Technology is no longer expected to be used internally and cannot be sold on a reasonable basis. Henceforth, the carrying amount is €0 (2022: €3,680 thousand).

CONDOR MEO Technology

During the year ended December 31, 2022, the Group identified an event that might trigger an impairment for the CONDOR MEO Technology mainly due to the fact, that the further development of the CONDOR MEO Technology is since October 2022 under re-evaluation. The development of this adaption of the SPACE Technology was developed in connection with a customer’s contract. This contract was breached by the customer and therefore terminated by the Group. In this context, the Group 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, during the year ended December 31, 2022, an impairment loss of €1.531 thousand is recognized as the recoverable amount is considered to be €0 as the technology is not currently being developed. and there was no saleable product based on this technology that is part of the Group's long-term (ten year) planning. At December 31, 2023, the Group is still prioritizing the ramp up of the serial production. However, the long-term market opportunities for the CONDOR MEO Technology are further out than the Group originally planned. As the Group has not yet a fixed plan to continue the development, the Group considers no change in the recoverable amount and therefore, the carrying amount is still €0 (2022: €0, 2021: €508 thousand).

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, 2022	2.966	8.754	5.867	2.250	19.837
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**
Exchange rate differences	-56	-16	-40	-33	-145
Additions	35	1.234	2.721	2.680	6.670
Reclassifications	0	449	74	-523	0
Disposals	-440	-137	-220	-811	-1.608
Balance as of Dec. 31, 2023	**3.149**	**15.844**	**10.643**	**3.696**	**33.332**

Depreciation

€ thousand	Land and buildings	Machinery	Other plant, furniture, fixtures, and office equipment	Construction in progress	Total
Balance as of Jan. 1, 2022	514	1.403	1.151	0	3.068
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**
Exchange rate differences	-19	-3	-11	0	-33
Depreciation for the year	724	1.771	1.243	0	3.738
Impairment for the year	0	1.172	0	0	1.172
Disposals	-291	-86	-210	0	-587
Balance as of Dec. 31, 2023	**1.455**	**5.674**	**3.267**	**0**	**10.396**

Carrying amount

€ thousand	Land and buildings	Machinery	Other plant, furniture, fixtures, and office equipment	Construction in progress	Total
Carrying amount as of Dec. 31, 2022	2.569	11.494	5.863	2.383	22.309
Carrying amount as of Dec. 31, 2023	1.694	10.170	7.376	3.696	22.936

Investments in property, plant, and equipment made during the year ended December 31, 2023, in the amount of €6.670 thousand (2022: €8.776 thousand) mainly for the new headquarter of the Group in Munich (Germany) and for production machinery. In prior years, the investments referred primarily to the expansion of production capacities. Other investments were made in IT infrastructure and office equipment.

During the year ended December 31, 2023, finance expenses in the amount of €77 thousand (2022: €32 thousand) were recorded as the cost of property, plant, and equipment in accordance with IAS 23.

Impairment of capitalized HAWK terminals

During the year ended December 31, 2023, the Group has recognized an impairment on the base AIR Technology (refer to Note 17) and therefore identified a triggering event for capitalized HAWK terminals based on this base technology. Since the base technology will no longer be used for future production of HAWK terminals, the Group assumes that the recoverable amounts of the capitalized HAWK terminals based on this base technology, which were used for testing purposes, are equal to €0 as the terminals are not expected to be used internally and are not reasonably saleable. Subsequently, the Group recognized an impairment loss of €1,172 thousand. Henceforth, the carrying amount is €0.

19. Right-of-use Assets

Cost

€ thousand	Real estate leases	Other leases	Total
Balance as of Jan. 1, 2022	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**
Exchange rate differences	-117	0	-117
Additions	21.472	760	22.232
Disposals	-4.928	-8	-4.936
Balance as of Dec. 31, 2023	**28.675**	**1.509**	**30.184**

Depreciation

€ thousand	Real estate leases	Other leases	Total
Balance as of Jan. 1, 2022	2.549	11	2.560
Exchange rate differences	13	0	13
Depreciation for the year	1.647	14	1.661
Disposals	0	-11	-11
Balance as of Dec. 31, 2022	**4.209**	**14**	**4.223**
Exchange rate differences	-47	-2	-49
Depreciation for the year	1.836	87	1.923
Disposals	-2.078	-3	-2.081
Balance as of Dec. 31, 2023	**3.920**	**96**	**4.016**

Carrying amount

€ thousand	Real estate leases	Other leases	Total
Carrying amount as of Dec. 31, 2022	8.038	744	8.782
Carrying amount as of Dec. 31, 2023	24.755	1.413	26.168

The Group has entered into leases for real estate and machinery that it uses for its operations. The useful life of real estate ranges from four to 15 years. The rental contracts for machinery range from four to six years and contain purchase options which management expects to exercise. The obligations of the Group 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 Group 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 Group applies the practical expedients applicable to short-term leases and leases for low-value assets.

The additions presented during the year ended December 31, 2023, in the amount of €22.232 thousand (2022: €1.438 thousand) primarily relating to the lease of the new headquarter in Munich in Germany.

The following amounts were recognized in profit or loss:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Interest costs for lease liabilities	652	229
Costs for leases of low-value assets	29	6
Costs for short-term leases	2	26

The Group's cash outflows for leases amounted to €2.947 thousand in 2023 (2022: €1.942 thousand).

Several real estate's leases include extension options. Wherever possible, the Group 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 Group, not by the lessor. The Group 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 Group's control occurs, the Group reassesses whether the exercise of the extension option is reasonably certain. No extension option is considered in the measurement of the right-of-use asset and the lease liability except for the extension option in the new headquarter in Munich (Germany) during the year ended December 31, 2023, which has a term of 10 year and an extension option of five years. This extension option is expected to be exercised as the Group invested a significant amount in lease improvements.

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	2.036	4.048	6.084

The following table shows the undiscounted future payments for a not yet commenced leasing contract. The probable commencement date is January 1, 2024.

€ thousand	Within five years	Over five years	Total
Future payments for a not yet commenced leasing contract	11	0	11

Impairment test right-of-use asset Gilching

During the year ended December 31, 2023, the Group identified events that might trigger an impairment for the right-of-use asset of the lease of the previous headquarter in Gilching (Germany), mainly due to the fact that the Group moved into a new headquarter in Munich (Germany) and since then the real estate in Gilching (Germany) is only used for minor storage purposes. The Group is actively seeking a new tenant as the lease expires in April 2028. Approximately 65% of the property has been and will be transferred to a new tenant in November 2023 and January 2024. This transfer is fully recognized during the year ended December 31, 2023, in the form of a lease modification of the respective right-of-use asset and lease liability. Therefore, the remaining part of the property was tested for an impairment due to the significant change in usage.

The value in use is considered to be €0 as the Group does not use the office. However, the fair value less costs to sell for the right-of-use asset is considered to be close to its carrying amount as the new tenant has agreed to the same terms and conditions under which the Group leased the asset previously. Furthermore, as the asset was included in the asset impairment test (see Note 25) and the asset impairment test did not reveal any indication of impairment, the Group did not recognize any impairment of the right-of-use asset. Henceforth, the carrying amount is €1.743 thousand (2022: €7.868 thousand).

20. Equity-accounted investees

Joint venture

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 ("UNIO"), Munich. The share capital amounted to €25,000 and the shareholding is 21.25% (2022: 25.0%) for each shareholder. The Group recognized UNIO as equity-accounted investee in the Group’s condensed consolidated statements of financial position.

Considering the share of the profit and loss of UNIO the carrying amount of the investment amounts to €0 as at December 31, 2023 (2022: €355 thousand).

21. Inventories

Inventories consist of the following:

€ thousand	December 31, 2023	December 31, 2022
Raw materials and supplies	20.975	10.851
Work in progress	832	2.058
Finished goods	888	439
Total	**22.695**	**13.348**

During the year ended December 31, 2023, inventories of €18.043 thousand (2022: €13.378 thousand) were recognized as a cost during the year.

The Group recognized the following write-downs of inventories during the years:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Write-downs of raw material and supplies	-9.569	-5.601
Write-downs of work in progress	-470	-1.225
Write-downs of finished goods	-337	-657
Total	**-10.375**	**-7.483**

The write-downs for the year ended December 31, 2023, refer mainly to materials relevant for production of HAWK and CONDOR MK3. The write-downs on HAWK materials result from general decision to cease production on the HAWK solution and the underlying AIR Technology (refer to Note 17). 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 corresponding raw materials were written down to their recoverable amount.

22. Trade receivables

Trade receivables consist of the following:

€ thousand	December 31, 2023	December 31, 2022
Trade receivables	630	1.101
Loss allowance (ECL)	-330	0
Total	**300**	**1.101**

On that basis, the loss allowance as at December 31, 2023, and 2022, was determined as follows for trade receivables:

€ thousand	2023	2022
Balance as of January 1,	0	0
Additions	337	0
Utilization	0	0
Reversals	0	0
Net foreign exchange effects	-7	0
Balance as of December 31,	**330**	**0**

The loss allowances for trade receivables as at December 31, 2023, and 2022, reconcile to the opening loss allowances as follows:

€ thousand	not overdue	1 to 30 days overdue	more than 90 days overdue
Gross value of trade receivables as of December 31, 2022	656	444	0
Loss allowance (ECL)	0	0	0
Expected default risk in relation to ECL	0	0	0
Gross value of trade receivables as of December 31, 2023	178	0	451
Loss allowance (ECL)	-3	0	-327
Expected default risk in relation to ECL	**1,6%**	**0,0%**	**72,4%**

All receivables result from contracts with customers. All trade receivables are denominated in US dollars and relate to two contracts with two costumers as of each period end date. The maximum default risk for receivables is their carrying amount. Further information on the loss allowance and the Group's exposure to credit risk is described in Note 35.2 a).

23. Other financial and non-financial assets

Non-current and current financial and non-financial assets consist of the following:

€ thousand	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
NON-FINANCIAL ASSETS				
Advance payments	5.887	0	625	0
Tax receivables	1.125	0	2.166	0
Prepaid expenses	737	0	2.238	0
Deferred capital raise preparation costs	82	0	0	0
Other	117	0	433	0
Total non-financial assets	**7.948**	**0**	**5.461**	**0**
FINANCIAL ASSETS				
Receivables from suppliers	357	0	48	0
Receivables from funded projects	188	0	0	0
Security deposits	0	1.200	0	449
Embedded derivative	0	0	172	0
Total financial assets	**545**	**1.200**	**220**	**449**
Total	**8.493**	**1.200**	**5.681**	**449**

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

24. Cash and cash equivalents

As of the reporting date, the balance of cash and cash equivalents amounts to €23.958 thousand (2022: €10.238 thousand) and comprises primarily balances held with banks.

25. Impairment test for non-financial assets

During the year ended December 31, 2023, the Group identified events that might trigger an impairment for non-financial assets mainly due to the fact that the existing and capitalized AIR Technology will not be the basis for the production of HAWK terminals anymore (refer to Note 17). Consequently, the segment SPACE, which represent a single cash-generating unit, is allocated all assets not directly attributable to the AIR segment, which also represents a single cash-generating unit.

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 planing 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 10 years. The Group 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. A growth rate of 1% was used for deriving the terminal value.

The Company uses a post-tax discount rates of 18,17% for both segment CGUs (2022: 19,07%) based on the historical industry weighted average cost of capital, with a possible debt leveraging of 14,46% (2022: 14,60%), a market premium of 7,00% (2022: 7,50%) and a risk premium of 10,00% (2022: 10,00%).

The impairment test did not uncover any indication for asset impairment as of December 31, 2023. This result would not change when considering any reasonably possible change in the key assumptions.

26. Equity

26.1. Subscribed capital

a) Issued share capital

As of January 1, 2023, the Company's share capital amounted to €5.668.391, divided into €5.668.391 bearer shares with a nominal value of €1,00 per share.

During the year ended December 31, 2023, share capital was increased to €6.233,615 through the issuance of a total of 565.224 bearer shares with a nominal value of €1,00 per share. This was due to the following transaction:

Equity investment 2023

In connection with the loan agreement (refer to Note 30), on April 25, 2023, the Company and two affiliates of the Lenders (the "Subscribers" / for "Lenders" refer to the loan agreement dated April 25, 2023, disclosed in Note 30) 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 €22.02 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. In addition, € 0.4 million from the loan agreement was reclassified as equity, as both agreements together are considered as linked transactions.

Due to this transaction the share capital increased by €565.224,00 and the capital reserve by €12.203.777,81. The increase of the capital reserve was offset by directly attributable transaction costs in the amount of €1.420 thousand.

For descriptions of the Authorized Capital 2022/I refer to Note 26.1 c).

b) Conditional capital

As of December 31, 2023, there is conditional capital in the amount of €2.720.541 (2022: €2.619.974).

2017/I Conditional Capital

On June 12, 2020, the Annual General Meeting resolved to reduce 2017/I Conditional Capital to €1.500,00, which is used to grant stock option rights to employees of the Company or its affiliates.

On July 14, 2022, the Annual General Meeting resolved to rescind the 2017 Conditional Capital and the 2021/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.

On August 7, 2023, the Annual General Meeting resolved to reduce 2019 Conditional Capital to €173.250,00 to serve the issued stock options under this conditional capital.

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.

On July 14, 2022, the Annual General Meeting resolved to rescind the 2021/I Conditional Capital.

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.

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.

2023/I Conditional Capital

Based on an authorization of the Annual General Meeting on July 14, 2022, 2023/I Conditional Capital was created which led to a contingent increase in the Company's share capital by up to €197.317 through the issue of up to 197.317 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 August 6, 2028.

c) Authorized capital

As of December 31, 2023, there is authorized capital in the amount of €3.079.679 (2022: €2.605.325).

2021/I Authorized Capital

On May 14, 2021, the Annual General Meeting resolved to create 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.

On July 14, 2022, the Annual General Meeting resolved to rescind the Authorized Capital 2021/I.

2021/II Authorized Capital

On May 14, 2021, the Annual General Meeting resolved to create 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.

2022/I Authorized Capital

On July 14, 2022, the Annual General Meeting resolved to create 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.

As a result of the capital increase carried out in fiscal year 2023, Authorized Capital 2022/I were used. An amount of €1.589.456,00 was outstanding as of May 3, 2023.

On August 7, 2023, the Annual General Meeting resolved to rescind the Authorized Capital 2022/I.

2022/II Authorized Capital

On July 14, 2022, the Annual General Meeting resolved to create 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, 2028, 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.

2023/I Authorized Capital

On August 7, 2023, the Annual General Meeting resolved to create 2023/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 August 6, 2028, by up to a total amount of €2.456.318 through the issue of up to 2.456.318 new no-par-value bearer or registered shares against cash contributions and/or contributions in kind.

2023/II Authorized Capital

On August 7, 2023, the Annual General Meeting resolved to create 2023/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 August 6, 2028, by up to a total amount of €172.716 through the issue of up to 172.716 new no-par-value bearer or registered shares against cash contributions and/or contributions in kind.

Authorized Capital 2023/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.

26.2. 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.

26.3. 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.

27. Provisions

Current and non-current provisions changed as follows:

€ thousand	Jan. 1, 2023	Utilization	Reversals	Additions	FX	Dec. 31, 2023
Asset retirement obligations	204	0	0	1.127	0	1.331
Litigation	708	179	168	89	0	450
Warranties	28	15	2	8	0	19
Total	**940**	**194**	**170**	**1.224**	**0**	**1.800**
Thereof non-current						
Asset retirement obligations	204	0	0	891	0	1.095
Warranties	13	0	2	8	0	19
Total (non-current)	**217**	**0**	**2**	**899**	**0**	**1.114**

The asset retirement obligations mainly reflect the obligations under lease agreements. The additions are based on the lease agreement of the new headquarter in Munich. The outflows are expected for the end of the lease term in 2038. The provision for litigations mainly relates to a legal dispute, which is expected to be settled within 2024.

28. Trade and other payables

Trade and other payables consist of the following:

€ thousand	December 31, 2023	December 31, 2022
Trade payables	7.627	4.222
Other accruals	8.928	5.016
Total	**16.555**	**9.238**

29. Contract liabilities

The contract liabilities in the amount of €47.256 thousand (December 31, 2022: €15.297 thousand) consist of payments made by customers presented in accordance with IFRS 15.

The contract liabilities developed as follows:

€ thousand	2023	2022
Current and non-current contract liabilities as of January 1,	15.297	307
Received cash-ins	44.711	16.070
Revenue recognition	-4.746	-903
Accumulated interest expenses due to financing component	5.078	0
Net foreign exchange effects	-1.421	-176
Current and non-current contract liabilities as of December 31,	**58.919**	**15.297**

Adjustment of comparative figures according to IAS 8.41/8.42 a)

During the year ended December 31, 2023, the Group identified a classification error in the financial statements as of December 31, 2022. The error arises from the fact that some of the contracts with customers from the financial years 2021 and 2022 were not considered as contracts with customers in the meaning of IFRS 15.9 ("IFRS 15 Contract"). This was due to the termination for convenience clauses in these contracts. Upon reconsideration, these contracts should have been accounted for as IFRS 15 Contracts because although these contracts contain a termination for convenience clause, they also contain clauses that could be considered equivalent to a termination penalty for the customer, as large portions of the prepayments are non-refundable. As a result, the prepayments received on these contracts, which were previously classified as other non-financial liabilities in the financial statements as of December 31, 2022, should have been classified as contract liabilities. This error has been corrected by adjusting comparative figures in these financial statements.

The current liabilities as of December 31, 2022, have been adjusted as follows:

€ thousand	As previously reported	Classification error	As adjusted
Current liabilities			
Provisions	723	0	723
Lease liabilities	1.855	0	1.855
Trade and other payables	9.238	0	9.238
Contract liabilities	205	15.092	15.297
Loans and borrowings	14.440	0	14.440
Other financial liabilities	90	0	90
Other non-financial liabilities	16.658	-15.092	1.566
Total current liabilities	**43.209**	**0**	**43.209**

The cashflow statement for the year ended December 31, 2022, has been adjusted as follows:

€ thousand	As previously reported	Classification error	As adjusted
Cash flows from operating activities			
Consolidated group result for the period	**-73.782**	**0**	**-73.782**
Adjustments for:			
Income tax expense	-24	0	-24
Depreciation, amortization and impairment	7.989	0	7.989
Loss from disposals of non-current assets	109	0	109
Net finance (income) and costs	2.545	0	2.545
Equity-settled share-based payments	6.133	0	6.133
Share of profit of equity-accounted investees, net of tax	45	0	45
Net foreign exchange (gain)/loss	-2.574	0	-2.574
Changes in:			
Inventories	-4.958	0	-4.958
Trade receivables	-1.120	0	-1.120
Other financial and non-financial assets	-87	0	-87
Provisions	-296	0	-296
Trade and other payables	2.235	0	2.235
Contract liabilities	-144	15.288	15.144
Other financial liabilities	-22	0	-22
Other non-financial liabilities	13.736	-15.288	-1.552
Net cash used in operating activities	**-50.215**	**0**	**-50.215**

30. Loans and borrowings

Loans and borrowings consist of the following:

€ thousand	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Loan agreement - April 25, 2023	3.286	59.496	0	0
Loan agreement - May 02, 2022	0	0	14.440	0
Total	**3.286**	**59.496**	**14.440**	**0**

On April 25, 2023, Mynaric USA Inc. ("Mynaric USA"), entered into a new five-year term loan 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 loan agreement 2023, the lenders agreed to provide Mynaric USA with a secured term loan facility in an aggregate principal amount of $75,000 thousand.

Mynaric USA drew the full amount of the facility (subject to a 1% original issue discount) on the day of the execution of the loan agreement 2023. The loans under the loan agreement 2023 bear interest at a rate equal to Term SOFR (secured overnight financing rate as published by the SOFR Administrator on the website of the SOFR Administrator) 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 loan 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 180% 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 thousand 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 will increase to 185% if the exit fee is triggered on or after the third, but prior to the fourth anniversary of the drawdown date and will increase to 200% if the exit fee is triggered on or after fourth 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 loan 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 Group.

A portion of the proceeds of the loans were used to repay in full the Group's existing indebtedness under the loan agreement of May 02, 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 loan 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 loan agreement 2023 contains financial maintenance covenants, including a covenant requiring the Group 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 Group to maintain minimum average weekly liquidity of $10,000 thousand during each quarter, commencing with the quarter ending June 30, 2023.

The proceeds from the loan converted to EUR as of the agreement date on April 25, 2023, amount to €67,723 thousand. Considering the transaction costs of €5,796 thousand an amount of €61,926 thousand was recognized as a financial liability. This amount includes an embedded derivative in the amount of €1,179 thousand as of April 25, 2023 (refer to Note 31).

31. Other financial liabilities

Current and non-current other financial liabilities consist of the following:

€ thousand	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Embedded derivative	609	0	0	0
Other sundry financial liabilities	432	167	90	249
Total	1.041	167	90	249

The embedded derivative relates to the loan agreement dated April 25, 2023 (refer to Note 30 and Note 35).

32. Other non-financial liabilities

Current other non-financial liabilities consist of the following:

€ thousand	December 31, 2023	December 31, 2022
Liabilities for payroll, social security and payroll tax	544	482
Received prepayments from customers	74	74
Loan related fees	0	782
Other	3	228
Total	**621**	**1.566**

Adjustment of comparative figures according to IAS 8.41/8.42 a)

Refer to Note 29.

33. 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.

The reconciliation of liabilities to the cash flows from financing activities required to be disclosed in accordance with IAS 7.44 is as follows:

€ thousand	Balance as of Jan. 1, 2023	Cash Changes		Non-cash changes					Balance as of Dec. 31, 2023
		Inflows	Outflows	Additions	Disposals	Financial income	Financial costs	FX	
Loans and borrowings	14.440	67.723	-20.236	0	-1.179	0	2.234	-200	62.782
Lease liabilities	8.942	0	-2.264	21.603	-2.923	0	0	-84	25.273
Other financial liabilities	339	0	-98	1.514	0	-567	23	-4	1.208
Total	**23.721**	**67.723**	**-22.598**	**23.118**	**-4.102**	**-567**	**2.257**	**-288**	**89.263**

€ thousand	Balance as of Jan. 1, 2022	Cash Changes		Non-cash changes			Balance as of Dec. 31, 2022
		Inflows	Outflows	Additions	Unpaid interest	FX	
Loans and borrowings	0	13.110	0	0	1.330	0	14.440
Lease liabilities	9.027	0	-1.713	1.439	6	183	8.942
Other financial liabilities	37	420	-137	15	4	0	339
Total	**9.064**	**13.530**	**-1.850**	**1.454**	**1.340**	**183**	**23.721**

34. 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.

34.1. 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, 2022 and 2023, 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, 2022 and 2023, which entitle the holder to subscribe to Mynaric AG shares. Detailed information about the granted stock options are presented in Note 11.1.

Remuneration granted

The remuneration granted to the Management Board during the year ended December 31, 2023 consists of the following:

Year	Short-term employee benefits		Long-term equity-settled share-based payments		Severance compensation in € thousand	Total in € thousand
	Basic remuneration in € thousand	Short-term variable remuneration in € thousand	Number of stock options granted	Recognized as expense in € thousand		
2023	1.475	1.180	75.000	1.515	750	4.920
2022	1.380	488	108.000	1.818	0	3.686

The severance compensation is accounted as an equity-settled share-based payment (refer to Note 11.3).

The former 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.

34.2. 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:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Dr. Manfred Krischke	127	151
Bulent Altan	51	0
Peter Müller-Brühl	117	121
Hans Koenigsmann	64	66
Margaret Abernathy	35	0
Steve Geskos	59	101
Wincent Wobbe	40	67
Dr. Gerd Gruppe	0	0
Thomas Hanke	0	0
Dr. Thomas Billeter	0	0
Total	**493**	**506**

Shareholdings of management and supervisory board members

Based on available information, the board members have the following shareholdings:

Number of shares	December 31, 2023	December 31, 2022	Change
Joachim Horwath	220.527	220.527	0
Peter Müller-Brühl	4.445	4.445	0
Bulent Altan	1.136	1.136	0
Stefan Berndt-von Bülow	174	174	0

34.3. Other related party transactions

Interests in subsidiaries are set out in Note 3.1 and interests in an associated company are set out in Note 20.

No transactions identified with the associated company nor with any other related party during the year ended December 31, 2023.

35. Financial instruments and financial risk management

35.1. Financial instruments

The financial instruments were allocated to the following categories:

€ thousand	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Financial Assets measured at amortized costs				
Other financial assets	545	1.200	48	449
Cash and cash equivalents	23.958	0	10.238	0
Trade receivables	300	0	1.101	0
Total	**24.803**	**1.200**	**11.387**	**449**
Derivative Financial Assets measured at fair value through profit and loss	**0**	**0**	**172**	**0**
Total financial assets	**24.803**	**1.200**	**11.559**	**449**
Financial Liabilities measured at costs				
Trade and other payables	16.555	0	9.238	0
Lease liabilities	5.440	19.833	1.855	7.087
Loans and borrowings	3.286	59.496	14.440	0
Other financial liabilities	432	167	90	249
Total	**25.713**	**79.496**	**25.623**	**7.336**
Derivative Financial Liabilities measured at fair value through profit and loss	**609**	**0**	**0**	**0**
Total financial liabilities	**26.322**	**79.496**	**25.623**	**7.336**

Financial assets

For other financial assets of the category financial assets measured at cost, 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 financial assets measured at cost approximates the fair value. These include non-interest-bearing security deposits. The carrying amount approximates the fair value.

The derivative financial assets consist of a prepayment option. As of December 31, 2023, the loan agreement of May 2, 2022, is repaid in full and therefore, the prepayment option doesn’t exist anymore. The option has a fair value as of December 31, 2022, in the amount of €172 thousand. The prepayment option is recognized as other financial asset measured at fair value through profit and loss 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).

Changes in level 3 financial instruments are shown in the following table:

€ thousand	Fair value January 1, 2023	Additions	Disposals	Gains/(losses) recognized in financial income /expenses	FX-effects	Fair value December 31, 2023
Other financial and non-financial assets	172	0	0	-172	0	0

€ thousand	Fair value January 1, 2022	Additions	Disposals	Gains/(losses) recognized in financial income /expenses	FX-effects	Fair value December 31, 2022
Other financial and non-financial assets	0	454	0	-282	0	172

Financial liabilities

Other financial liabilities as of December 31, 2023, include a carrying amount of €62.782 thousand relating to the loan agreement from April 25, 2023. The corresponding fair value amounts to €68.992 thousand.

The carrying amount of current financial liabilities in the category financial liabilities measured at cost, such as trade and other payables as well as the remaining other financial liabilities, corresponds to the fair value due to their short terms.

The carrying amount of non-current financial liabilities classified financial liabilities measured at cost, such as other financial liabilities approximate their fair value. The lease liabilities are discounted in accordance with the requirements set out in IFRS 16.

The derivative financial liabilities relating to the loan from April 25, 2023 (refer to Note 30) consist of a prepayment option and an embedded interest rate floor. As of December 31, 2023, the Level 3 fair value of the prepayment option amounts to €111 thousand (December 31, 2022: € 0) and the Level 2 fair value of the embedded floor to €-720 thousand (December 31, 2022: € 0). Both, the prepayment option and the embedded floor, are recognized as other financial liabilities measured at fair value through profit and loss (as both features constitute a multiple embedded derivative in sense of IFRS 9). The entire multiple embedded derivatives are treated as Level 3 instrument. The prepayment option as well as the embedded floor are calculated by applying an option pricing model. For the prepayment option the model uses the risk-free interest rate, the credit spread of the group and the interest rate volatility as material input factors. The credit spread as well as the interest rate volatility are considered as material unobservable input factors (Level 3 – Inputs). For the embedded floor the option price model uses the risk-free interest rate as well as the volatility on the risk-free rate (Level 2 – Inputs).

The table below summarizes the impact on the fair values of Level 3 liabilities by changing the significant unobservable input factors:

€ thousand	December 31, 2023 - Profit or loss	
	increase	decrease
Prepayment option in the loan agreement of April 25, 2023	0	0
Interest rate volatility (movement +/- 5%)	88	-80
Credit Spread (movement +/- 1%)	-25	26

Changes in level 3 financial liabilities are shown in the following table:

€ thousand	Fair value January 1, 2023	Additions	Disposals	(Gains)/losses recognized in financial income /expenses	FX-effects	Fair value December 31, 2023
Other financial liabilities	0	1.179	0	-578	9	609

Net gains/losses in the profit and loss statement

The net gains/losses by measurement category are as follows:

2023 - € thousand			Other income and cost items, or gain and loss items
Financial assets	AC	Measured at amortized cost	-337
Derivative financial assets	FVTPL	Measured subsequently at fair value through profit or loss	0
Derivative Financial Liabilities	FVTPL	Measured subsequently at fair value through profit or loss	578

2022 - € thousand			Other income and cost 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

35.2. Financial risk management

The Group is exposed to the following risks from the use of financial instruments:

- Credit risk (see Note 35.2 a))
- Liquidity risk (see Note 35.2 b))
- Market risk (see Note 35.2 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 Group'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, 2023, was -41,4% (2022: 34,6%). The strong decrease of the equity ratio is due to the high consolidated net loss for the financial year 2023 as well as the increase in loans and borrowings, contract liabilities and lease 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 2022.

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 6. 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.

Trade receivables are impaired where there is no reasonable expectation of recovery. A general indicator that there is no reasonable expectation of recovery is the failure to make contractual payments for a period of more than 90 days past due, unless other indicators exist that contradict this general assumption..

The overall credit risk exposure is considered material.

Other financial assets

As of the reporting date, other non-current financial assets primarily include security deposits for rental agreements of the 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 hold 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, 2023, 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, the Group implemented an adapted profit and liquidity planning for the year 2024. 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. In March 2024, the Group amended the term loan credit agreement to add a delayed draw term loan facility in an aggregate amount of $20.000 thousand, of which $5.000 thousand remain undrawn as of the date hereof (refer to Note 41).

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.

€ thousand	December 31, 2023					
	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	16.555	16.555	0	0	0	16.555
Lease liabilities	25.273	5.679	4.062	10.227	26.022	45.990
Loans and borrowings	62.782	10.227	10.227	106.947	0	127.401
Other financial liabilities	1.208	1.043	98	82	0	1.222
Total	105.818	33.504	14.387	117.256	26.022	191.168

€ thousand	December 31, 2022					
	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
Loans and borrowings	14.440	14.440	0	0	0	14.440
Other financial liabilities	339	188	98	180	0	466
Total	32.959	25.767	2.003	3.585	2.372	33.727

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:

€ thousand	December 31, 2023
	USD
Intercompany receivables	1.724
Other financial assets	70
Cash and cash equivalents	5.106
Intercompany payables	-11.725
Trade payables	-1.634
Net statement of financial position exposure	-6.459

€ thousand	December 31, 2022
	USD
Intercompany receivables	4.060
Other financial assets	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

Sensitivity analysis

A potential appreciation (depreciation) of € 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	2023		2022	
	Changes in exchange rates		Changes in exchange rates	
€ thousand	Increase by 5%	Reduction by 5%	Increase by 5%	Reduction by 5%
EUR	0	0	0	0
USD	-323	323	740	-740
Total	**-323**	**323**	**740**	**-740**

Effects on Group equity	2023		2022	
	Changes in exchange rates		Changes in exchange rates	
€ thousand	Increase by 5%	Reduction by 5%	Increase by 5%	Reduction by 5%
EUR	0	0	0	0
USD	-323	323	740	-740
Total	**-323**	**323**	**740**	**-740**

The following exchange rates were used:

	Average rate		Spot exchange rate as of the reporting date	
	2023	2022	2023	2022
EUR/USD	0,92368	0,95441	0,90498	0,93756

Interest rate risk

As of the reporting date, the Group does have an multiple embedded derivative related to the loan agreement, which is included in the other financial and non-financial liabilities. This consists of a prepayment option amounting to €111 thousand (December 31, 2022: € 0) and a embedded floor amounting to €-720 thousand (December 31, 2022: € 0). This derivative is exposed to interest rate changes. A sensitivity analysis and their effects on the consolidated equity is disclosed in Note 35.1.

36. Contingent liabilities, commitments and other financial obligations

36.1. 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 Group's business and its financial position and performance.

36.2. Commitments

As in the previous year, there are no commitments arising under guarantees.

36.3. Other financial obligations

Other financial obligations as of December 31, 2023, are as follows:

€ thousand	up to 1 year	between 1 and 5 years	more than 5 years	Total
Software and licenses	717	631	0	1.349
Incidental rental costs	123	367	27	517
Other	251	344	99	694
Total	1.091	1.342	126	2.559

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, 2023	December 31, 2022
Intangible assets	12	14
Property, plant and equipment	3.866	1.258
Total	**3.878**	**1.272**

37. Governing bodies of the Company

The Management Board consists of the following members:

- Mustafa Veziroglu, Co-CEO, Master of Business Administration, Monte Sereno, California, USA (CEO since August 7, 2023)
- Bulent Altan, Co-CEO, Master of Science in Aerospace, Playa Vista, California (until August 7, 2023)
- Stefan Berndt-von Bülow, CFO, graduate in business administration, Tutzing
- Joachim Horwath, CTO, Dipl.-Ing., Gilching

The Supervisory Board consists of the following members:

- Bulent Altan, Chairman, Space engineer and CEO of Earhart Consulting LLC (since August 7, 2023)
- Dr, Manfred Krischke, Chairman, CEO of Cloudeo AG (Chairman until August 7, 2023, and re-elected as a member of the Supervisory Board on August 7, 2023)
- Peter Müller-Brühl, Deputy Chairman, COO of GreenCom Networks AG
- Hans Königsmann, member of the Supervisory Board, Former vice president of flight reliability at SpaceX (until December 31, 2023)
- Steve Geskos, member of the Supervisory Board, Managing Director Rose Park Advisors (until August 7, 2023)
- Vincent Wobbe, member of the Supervisory Board, Head of Public Markets Investments Apeiron Investment Group (until August 7, 2023)
- Margaret Abernathy, member of the Supervisory Board, General Counsel at Impulse Space (since August 7, 2023)
- Herr Arndt Rautenberg, member of the Supervisory Board, Managing Director of Rautenberg & Company GmbH (since April 2024)

38. Employees

During the year ended December 31, 2023,the Group had an headcount average of 283 employees (2022: 290 employees). The headcount average reflect the employee number of the individual Mynaric Group companies as follows:

average employee headcount	For the year ended	
	December 31, 2023	December 31, 2022
Mynaric AG	40	40
Mynaric Lasercom GmbH	219	216
Mynaric Systems GmbH	0	1
Mynaric USA	23	34
Total	**283**	**290**

The headcount average reflect the functional assignment as follows:

average employee headcount	For the year ended	
	December 31, 2023	December 31, 2022
Technology development	128	133
Production & supply chain management	73	37
Product development & sales	38	73
Administration	40	41
Communications & marketing	4	6
Total	**283**	**290**

39. Auditor's fee

For the year ended December 31, 2023, the Group recognized fees for auditor services as expense in the amount of €1.568 thousand (2022: €1.114 thousand). The fee's consist of the following services:

€ thousand	For the year ended	
	December 31, 2023	December 31, 2022
Auditing fees	691	598
Other assurance services	877	516
Total	**1.568**	**1.114**

40. Corporate governance declaration

The Declaration of Conformity with the German Corporate Governance Code by the Management Board and the Supervisory Board in accordance with Sec. 161 German Stock corporation Act ("AktG") is published on the Group's website www.mynaric.com under "Investor Relations - Corporate Governance".

41. Events after the reporting date

Grants of stock options to the Management Board in February 2024

As of February 2, 2024, the Group granted 71.400 new stock options under the SOP 2023 (refer to Note 11.1) to the Management Board. The exercise price amounts to €20.97.

Amendment No. 1 to loan agreement dated April 25, 2023

In March 2024, the loan agreement dated April 25, 2023, (refer to Note 30) was amended to add a delayed draw term loan facility in an aggregate principal amount of $20.000 thousand. Proceeds from the delayed draw term loan facility will be used for general corporate purposes. The loan condition remain the same as described in Note 30 We draw $15.000 thousand in April and May 2024 and therefore, $5.000 thousand remain undrawn as of the date of this report.

Issuance of new shares related to a severance payment

In January 2024, 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 €6.233.615 by €37.128 to €6.270.743 through the issuance of 37.128 new bearer no par value shares under exclusion of the subscription rights of the shareholders out of the Authorized Capital 2023/I. The 37.128 new shares relate to the severance payment, which is as of December 31, 2023, accounted for as a equity-settled share-based payment (refer to Note 11.3).

Issuance of new shares related to RSUP 2021

In January 2024, 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 €6.270.743 by €47.579 to €6.318.322 through the issuance of 47.579 new bearer no par value shares under exclusion of the subscription rights of the shareholders out of the Authorized Capital 2021/II. The 47.579 new shares relate to the settlement of 47.579 vested restricted stock units under the RSUP 2021 (refer to Note 11.2).

New member of the Supervisory Board

In April 2024, Arndt Rautenberg joined the Supervisory Board.

Munich, July 12, 2024

The Management Board

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

RESPONSIBILITY STATEMENT

Responsibility Statement

Responsibility statement by the company's legal representatives

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position, cash flows and results of operations of the Group, and the 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."

Munich, July 12, 2024

The Management Board

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