2020 H1

Half-Year Report

mynaric


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1 Shareholders

SHAREHOLDER LETTER

Dear shareholder,

I am pleased to be able to report on great progress here at Mynaric in the last six months.

The aerospace connectivity market is continuing on its dynamic trajectory. Indeed, since the start of year the market is now additionally being strongly driven by government and defense players, particularly in the United States, looking to exploit the developments being undertaken in the commercial sector on future secure and high-bandwidth aerospace networks.

We are witnessing new developments in the way that that government and defense departments operate. Procurement for government is changing from acquiring bespoke projects to industrialized products. We believe this change is here to stay and, these days, see first signs of how the industry will work at large in the future.

It is a new dynamic which not only increases the market opportunity for us as an industrialized vendor but increases the size of the market as a whole.

The US, as always, is driving this progress. What we have seen with SpaceX launching a NASA crew in a commercially-built and operated spacecraft, and with the launch industry in general, is now crossing over to, and propelling forward, the satellite market, and with it, laser communications. The Space Development Agency's procurement for a small constellation demonstrating the strategic importance of the role laser communication will play in future connectivity is a great example of this.

Let me make it clear that we are not changing our focus but widening it. We are chasing down opportunities in the hugely important government and defense market, especially in the North American segment, at the same time as continuing to place ourselves at the heart of the equally promising and dynamic commercial market.

The types of contracts we are now seeing awarded for secure, high-speed aerospace networks are similar in importance to those initial contracts that were awarded to companies such as SpaceX in their early days. It was the offer of commercial solutions that attracted governmental actors whose contracts and investments helped carry the company forward to the market-leading company it is today.

We see this current demand from the defense community as a precursor to the wider establishment of civil and commercial large-scale aerospace communication networks and, as such, for the laser communications market that is piggybacking off it.

Against this backdrop, in July, we received a notification from the German government clearly prohibiting Mynaric from delivering laser communication hardware to China. Aware from the start of the strategic importance of laser communications – and given that one of our first space customers was Chinese – we had proactively requested official clearance of the planned export of laser communication products. Following the German government's decision, we committed to put the interests of national security of our core markets above all other considerations and affected a complete break in activity in China immediately.

This development means three things:

- A clear commitment to the national security interests of our core markets is a boost for our business development activities for governmental opportunities such as in the US.
- The decision prevents us from launching first CONDOR units to space in 2020 since their scheduled launch was with the Chinese customer.
- We are assessing potential claims for compensation as a result of the export ban by the German government.

We always anticipated laser communication being recognized as a key technology underpinning strategic national interest and this recent political intervention in our business and market proves this is the case. Laser communication products will play a key role within the most critical communication chains of infrastructure projects that are of national interest and we aim to take the lead when it comes to supplying such infrastructure. The US is one of our key markets in this regard.

Therefore, we consider the recent selection to provide CONDOR terminals to a customer as part of a US governmental program a major win. It is proof that the significant US governmental market is open to us for business. It is also proof that the implementation of laser-based networks in space is actually moving forward and that customers trust in the capabilities of our products.

Turning to the progress of the Mynaric products that will be so pivotal to these networks, it is essential that when these products enter the market - when they leave our facilities after production and testing and are placed into the hands of customers – they are at the very pinnacle of performance. And that is what we have spent the last six months undertaking. Testing does not just ascertain what is working - it ascertains what is not working, or what can be improved. And it is this pursuit of excellence that has fed into the company's full-on activity in the last six months. So this report will speak of 'product validation' throughout as this has been the primary focus of the entire company since the turn of the year.

Product validation is the final step before moving that product into operation and we are well into our side of the product validation stage now with first batches of pre-production units of HAWK AIRs and CONDORs which have been manufactured especially for this key task. The next stage in the coming six months is much closer cooperation with customers with regard to testing, qualification, and installation. This next stage will be the one when our customers put these first products into use to gauge their performance and make long-term decisions on their deployment.

This is the really crucial stage in Mynaric's history but we know we will get this right and position ourselves in the leading spot.

This moment will mark the birth of the industrial laser communications market.

This is the result that all of our 11 years' vision and effort has been leading us to. Ready to demonstrate to paying customers that our designs and prototypes which have been a decade in the making have matured into products that they have demanded. This is the moment that supplier and prime walk hand-in-hand to move aerospace networks forward.

Given the huge importance of the United States, we recently announced the appointment of aerospace connectivity veteran Tina Ghataore as President of Mynaric USA. Tina brings with her 20 years' experience in satellite and airborne connectivity and her appointment allows me to spend more time overseeing continued product development and production ramp up here in Germany while she focuses on the key North American market.

The European HQ has also grown in size since the beginning of the year with staff numbers climbing from below 100 at the beginning of the year to above 150 now. Not only did we continue to grow during the height of the corona crisis, but we continue to recruit the very best talent on both sides of the Atlantic. We have also expanded our facilities in Germany and the US to add production capabilities and more generally allow us more room to grow further.

The market overview and preview sections in this report point to continued growth in the aerospace connectivity market. There appears, to date, to have been hardly any let up in the high levels of activity that typified this hugely dynamic market prior to coronavirus. SpaceX, as always, is the headline-grabbing driver of developments but there are many other positives to report, from the resurrection of OneWeb, developments from Amazon, timelines from Telesat, and other players like Viasat entering the LEO constellation market, as well as news on developments in the airborne segment.

Wolfram Peschko and Hubertus von Janecek, who were both part of the management board, resigned from their positions during H1 2020. Both contributed greatly towards making Mynaric the company it is today and I want to express my gratitude to them for their commitment and passion over the last several years. I look forward to leading Mynaric's future as CEO going forward.

Coronavirus has meant it has not been an easy time to be an employee. The more than 150 employees at Mynaric have, however, demonstrated their enthusiasm, resolve, professionalism and commitment during exceptional times. That they have achieved what they have achieved working from home, working remotely, and working under the very specific strictures governing at-home work is a testament to their drive, talents and abilities. I would like to pay very particular thanks to them for their accomplishments, given what they have had to contend with in the last six months.

And finally, dear shareholder, I would like to thank you for your support and belief in the work Mynaric is doing. We are seeing satellites being launched with astonishing speed and regularity these days and the rate at which developments are taking place in the aerospace connectivity market mean we have to be at the top of our game to match the rate of progress. But in the last six months we have - we have been working flat out to deliver the success that both you and I want for Mynaric and will continue to do so.

Bulent Altan
Chief Executive Officer, Mynaric

MANAGEMENT

Bulent Altan - CEO

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

Bulent joined Mynaric in early 2019 to drive adoption of laser communication technology in the satellite industry and was, initially, responsible for overseeing Mynaric's space products and the company's US headquarters. In July 2020, Bulent became CEO of Mynaric. He leads the product-centric approach of the company and business development

Bulent has been responsible for introducing a product-focused mindset and approach at Mynaric as the company pivots from a prototype developer to a product manufacturer. His experiences as a Vice-President at SpaceX for over 12 years have helped to inform and underpin Mynaric's work on introducing its products to the aerospace connectivity market.

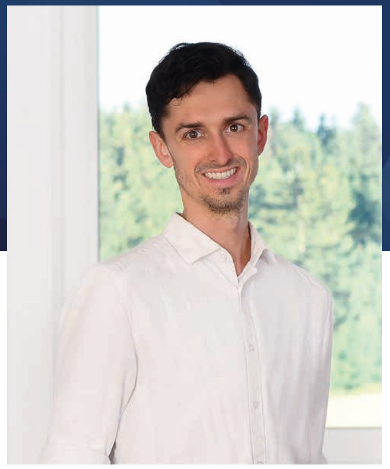
Twinned with Bulent's unparalleled network and standing within the industry, an additional key focus for him is business development and establishing relationships with key actors to help oversee the widespread adoption of laser communication.

Bulent is supported by the following senior managers:

Joachim Horwath – CTO

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

He and his team provide Mynaric with technical assurance as well as insight into advanced technologies that ensure Mynaric's leadership in industrializing laser communications for the years to come.



Sven Meyer-Brunswick – COO

Sven joined the company in 2016, has led the company's fundraising efforts to ensure continued growth over the last couple of years and, as such, materially bolstered Mynaric's transformation from a garage shop to a well-respected scale-up.

With a background in technology and business, and knowing the company and its market inside-out, he was appointed to COO in April 2020 to coordinate Mynaric's product roadmap and its implementation through the company's engineering and production departments.

Tina Ghataore – President, Mynaric USA

In the United States, Tina serves as President Mynaric USA, having been appointed in August 2020.

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

Tina oversees operational responsibility of Mynaric's US-activities and leads the go-to-market initiatives for the North American market, ensuring alignment with customer requirements across the various target market verticals.

SUPERVISORY BOARD

Dr Manfred Krischke (Chairman of the Supervisory Board)

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

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

Dr Gerd Gruppe

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

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

Dr Thomas Billeter

Dr Billeter holds an engineering degree and an MBA from the ETH Zurich as well as a PhD in economics from the University of Zurich. He has also completed the Advanced Management Program of Harvard Business School.

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

Peter Müller-Brühl

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

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

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

Thomas Hanke

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

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

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

2 COMPANY

PERFORMING AT 110% DURING THE CORONA CRISIS

Online meetings, Zoom and Teams, virtual conferences and working from home.

The world of work has been well and truly upended by the spread of the coronavirus pandemic, but we are proud that Mynaric has been able to not only cope with the restrictions, disruptions and uncertainty as well as any company could, but also perform beyond any expectations.

When it became clear that the growing threat from the pandemic was going to have serious repercussions and impacts on the day-to-day operation of companies the world over – and given Mynaric's close geographical proximity to the source of the outbreak in Germany – our response was immediate, effective and wide-ranging.

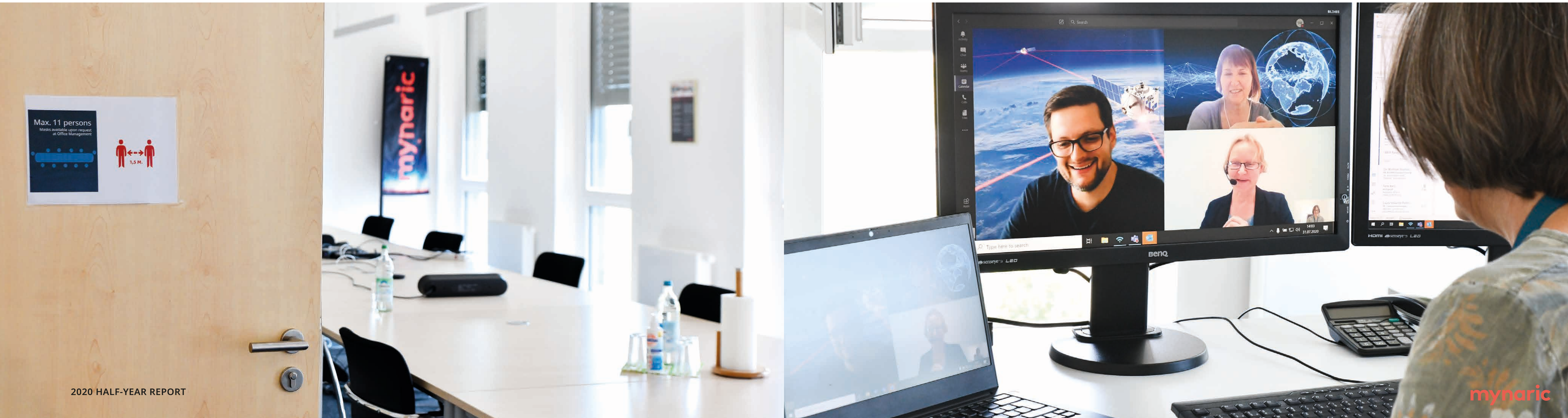
A small, agile, management-led team of key employees formed a rapid response Task Force to disseminate best practice, monitor governmental and health authority advice, and put in place measures to protect all employees from possible infection and ensure continuation of business at the highest efficiency possible. The team also ensured a seamless move to home working for employees who were able to do so, with special dispensation given to those with school age children.

A core team of engineers and production specialists were able to remain in-house to work towards timetabling set out for the HAWK AIR and CONDOR terminals' testing and production schedule. At all times, employees abided by the health and safety advice of both Bavarian and German governments.

We have not been able to attend conferences obviously, as they have been cancelled, but we have shifted our business development activities to attending virtual conferences, meetings and online customer interactions. Most importantly – we are already active in planning for the post-corona business environment with a concerted effort underway by the business development and marketing teams to attend the cream of the aerospace trade shows and conferences in 2021.

What we have managed in these unprecedented times is – for a company of our size and focus – also unprecedented. We have grown both Mynaric branches at a time when millions of employees around the world have been laid off or furloughed. We have actually grown the company by over 50%, from 95 to over 150 in the first 6 months of 2020 and we have also striven to make sure our products' pre-series manufacturing and testing regimes have been – as far as possible – continued during H1 2020. There have been delays communicated to us from our customers and, inevitably, from further down our supply chains. But these external delays have not blown the Mynaric ship off course, as corona has done for so many companies in the aerospace industry.

As commerce and industry venture out from under the shadow of corona, Mynaric is fit and ready for the "new normal" and well set to continue its drive to become the leading supplier of high-speed laser communication products to the aerospace connectivity market.



Mynaric in the last 6 months

The year began with a contract announcement from a space customer worth multi-million Euros. We were not able to divulge too many details of this contract at the time - and that is still the case at the time of writing – but we will do so when we are able to.

In February, one of the leading independent European financial services companies – Kepler Cheuvreux – began coverage of the Mynaric share with their initiation study awarding the share a "buy" rating and a price target of EUR 72. Kepler Cheuvreux joins Edison, MainFirst and Hauck & Aufhäuser in covering the Mynaric share.

The company has also grown out on both sides of the Atlantic in the last 6 months with our US branch recently announcing the appointment of Tina Ghataore as President of Mynaric USA. Tina is a very well-recognized name in the satellite and aerospace connectivity arena and is now based in our expanded facilities on the West coast which will cater for Mynaric USA's growing workforce as well as a planned lab facility to demonstrate, qualify, modify and maintain Mynaric's laser communication products.

In July 2020, Mynaric announced that it would end all business ties in China as a consequence of a notice in the form of a targeted intervention by the Federal Ministry for Economic Affairs and Energy that banned the delivery of laser communications products to China.

We were expecting this determination from the German government and had planned accordingly to extricate ourselves fully from the Chinese market.

However, the bulk of our efforts in the first six months of 2020 have been laser-trained on product validation.

In our last report to you we stated that the first batch of pre-series HAWK AIR units were ready for testing and qualification. What we have been undertaking with these terminals in-house, and in tests conducted outside in the field, is subjecting these terminals to all the conditions and scenarios our customers will utilize them in, and then many other corner cases on top with margin. We want to hand them over to paying customers knowing that whatever scenario they plan for our terminals they can withstand it, can cope with it, and can operate to the very highest performance expectations.
In short, we are shaking them, heating them, cooling them, connecting them, pressurizing them, and pushing them to the very limits of their performance.

Below, Felix Geiger, our product manager for the HAWK AIR, describes just some of the numerous tests and procedures used in the HAWK AIR product validation process.

"We are really putting these terminals through their paces."
Felix Geiger

Mynaric in the last 6 months

“Mynaric has invested in state-of-the-art equipment which allows for vigorous and robust high-precision testing in-house. Being able to validate products using equipment readily available in the same building where we have our engineers, software developers, testing teams, and senior management offers us a real competitive edge over those companies that are playing catch-up with us."

Just some of the testing processes we are putting our first batch of HAWK AIRs through include:

- Vibration Testing: Our shaker and slip table lets us simulate the terminals’ performance under vibration and shock and emulates both the movement of the aircraft for which they are designed and the loads the systems can be exposed to during deployment aboard aircraft;
- Six-Axis motion: A ‘hexapod’ allows us to investigate and improve controls of the terminal and is important in testing and tuning the terminal's dynamics – tailored to the movement of the flying platforms for which they are designed.
- EMI testing. Electro-magnetic Interference testing is an assessment of the terminal's performance ahead of being awarded a key flightworthiness certification (specifically oriented on the DO-160 standard: Environmental Conditions and Test Procedures for Airborne Equipment). If the terminal is to fly - and this is what it is designed for! - then this is an absolute must and it is great to have passed this fundamental validation for the HAWK AIR.
- Thermal vacuum chamber. This testing lets us vary atmospheric conditions (i.e. temperatures) that the HAWK AIR will experience in the atmosphere. It replicates the fluctuations in temperature experienced at various altitudes and gives us confidence in the system´s thermal capacity
- Pressure test/Purging. In this process we check the terminal´s robustness and ensure its operation at the various pressures and moistures it will be subject to in the atmosphere at differing altitudes.
- Outdoor testing. Taking the terminals outside allows us to conduct stable and dynamic testing – also across long ranges.
- Flight testing. The flight test instrumentation allows us to assess specific operating conditions for the HAWK AIR whilst attached to the aircraft it is designed for.

As you can see from the above sample of testing procedures and processes which are conducted here in Munich, the terminals are really being pushed and prodded and stretched to their limits. And once we have performed all of the tests, we do them again. And then again.

What we learn from these efforts is invaluable in refining and improving the product that will move into full serial production. The data gleaned from validation also helps inform customers and the two-way flow of information from us to them, and back again, is an excellent way to ensure the HAWK AIR is produced to the very highest standards expected by operators who will eventually install and integrate the product into their systems.

It is not giving any commercial secrets away to state that so far everything is looking in great shape!”

“The Product Validation Process is the second of the verification and validation processes conducted on an implemented or integrated end product... This is achieved by examining the products of the system at every level of the product structure and comparing them to the stakeholder expectations for that level.

A well-structured validation process can save cost and schedule while meeting the stakeholder expectations.”

NASA Systems
Engineering Handbook, 2019 on the importance of product validation

Mynaric in the next 6 months

There is to be no let-up in activity. In spite of the moderate delays that we have spoken of and which have affected certain parts of our supply chain, we are pressing ahead at full steam with the finalization of the testing and validation process.

The next period of testing will see HAWK AIR terminals delivered into customers' hands for testing on the platforms our customers operate.

The terminals will be mounted, installed and demonstrated on platforms which are moving, shaking and vibrating in the air. The real thing. Not on state-of-the-art testing equipment in Gilching but state-of-the-art aircraft platforms. The move now is into the real world.

The testing we have been performing on the HAWK AIR to date has brought us to this point where paying customers now expect to be able to perform their own testing and installation campaigns. They will see the terminals performing the tasks they were designed to perform. From the air to the ground and between two aircraft. Establishing links and sending and receiving data. At ultra-high-speed and completely securely. No product will leave the manufacturing line from here in Munich until we are completely satisfied it will exceed, the expectations placed on it by our customers. Our efforts to this point have been crucial but we face this next, final stage of validation knowing that the products' performance in customers hands is the ultimate in validation.

In meeting their validation regime, the terminal becomes a sellable product and enters the market. With the promise of this commercial breakout imminent we are endeavoring to get to this stage as soon as practicable.

Even with the complexity associated with an undertaking of this type, the CONDOR space terminal is now well under way in its validation program.

This flagship product is undergoing – and will continue to undergo – one of the most stringent and intensive testing programs any product can go through. Indeed, one of the key validation processes – set out below, in detail, by our CONDOR Product Manager Elena Gubbini – is unique to Mynaric. We are not only having to create a new product from scratch but also create new testing set-ups to emulate what our products can expect in the harsh environment of low Earth orbit.

Key to the validation of CONDOR's performance is Mynaric's very own 'link test bed'. The link test bed uses specialized optics and mechanics to emulate

"The link and terminal test beds are the fundamental tests of these terminals' capabilities and the closest one can get to assessing their performance in low Earth orbit without actually hitching a ride up into space on the satellite with them! "
Elena Gubbini

the effects of thousands of kilometers of distance, as well as orbital and spacecraft dynamics on the laser beam connecting two CONDOR terminals as they hurtle through space.

Testing this link is vital as what our customers actually buy is the connection linking these terminals. Our customers need to move data, and lots of it, quickly and securely and testing how these inter-satellite links operate with a unique dedicated system-testing setup in a laboratory in southern Germany is just part of the painstaking process that we are undertaking with this mega-constellation product.

“We have spent the last six months undertaking various tests, prime among them a radiation campaign which has mainly been used for electronic components and is a key part of the qualification of the CONDOR.

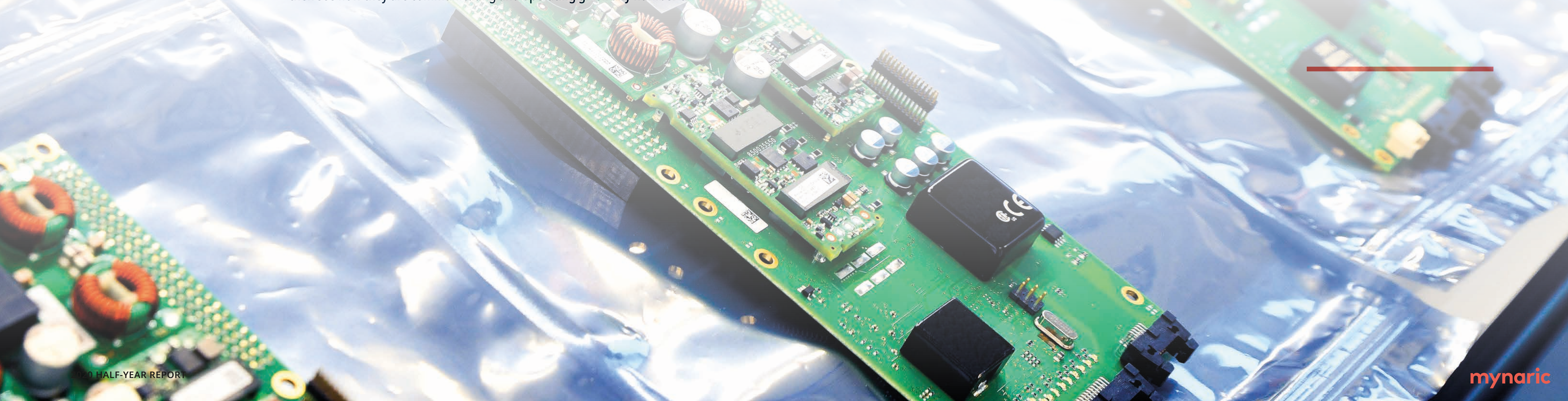
We are now moving into the stage where we are testing several models to assess various performance parameters. The purpose of these tests is to measure the terminals' performance in space so, for example, a complete unit will be placed in the thermo-vacuum chamber and will be subjected to the extremes of heat that occur in low Earth orbit.

But really key to our validation of the CONDOR is the rigorous regime we are putting it through on our link and terminal test beds. The link test bed is a set up in our cleanroom which allows us to really treat the terminals as if they are each sitting on satellites and linking with each other. We can then see how they are communicating and operating given any number of factors affecting them. Two CONDORS sit opposite each other and, using highly powerful telescopes which emulate the thousands of kilometers of free-space between them, are then tested to see how they deal with satellite vibration and orbital motion. The terminal test bed allows us to test how the link performs under vacuum conditions and under the extremes of temperatures they will experience. The results of these validation tests means we can measure performance relating to orbit, distance and vibration. When these three elements are right, the terminal is right.

Additionally, we have first production capacity in place now and have the various subsystems in production ahead of final validation and the day, we hope soon, when the terminals are launched into space.”

Elena Gubbini, CONDOR Product Manager

Moving away from product validation, Mynaric has secured additional production facilities just a stone’s throw away from our current European HQ to help build out production of both the HAWK AIR and CONDOR.
And, of course, we hope to be able to get back out onto the road to conferences, trade shows and meeting customers in person to push for contracts in the coming six months but it is increasingly looking likely that the world will have to learn to live with corona as its makes it presence near constant.
But we have coped with the impact of the pandemic to date and see no reason for it impacting on our day-to-day running or plans for future growth and product finalization.



3 MARKET

mynaric

MARKET IN THE LAST 6 MONTHS

The period under review for this report – January to June 2020 – has borne witness to an unprecedented assault on industries and economies the world over in the form of coronavirus.

A worldwide pandemic hits investments, hits supply chains and – in some high-profile cases – puts entire industries' futures in jeopardy and the aerospace connectivity market, unsurprisingly, has also been affected.
Below we run through some of the major developments in the first six months of this year that we believe shows a market for aerospace connectivity in disruption from new business models, as well as the pandemic. So what follows is not just cherry-picked good news: the good, the bad and the ugly point to a strong market rejecting companies whose business strategy or funding models are not fit for purpose. Essentially, doing what strong markets do.

Mynaric feels comfortable in this current market phase and believes it is well positioned to benefit from the long-term trends we are seeing and which point to no apparent slowdown when it comes to the establishment of aerospace communication networks enabled by laser communications.

JANUARY

The year began with news that Apple was rumored to be looking into communications satellites and next-generation wireless technology with the possible aim beaming data directly to a user's device.
SpaceX becomes the world's largest satellite operator with a third launch taking their Starlink constellation total to 180 satellites. Later in the month, a fourth launch delivers another 60 satellites bringing the total to 240.

The US Space Development Agency informed about its plans to establish the National Defense Space Architecture a network of hundreds of satellites for defense purposes and issues a request for information regarding its attempt to establish an industrial Optical Intersatellite Link Open Standard.

FEBRUARY

The NSR publishes the second edition of its report on optical satcom equipment which projects a $3.8 billion cumulative revenue opportunity until 2029 for space-based laser communications.

A fifth Starlink launch takes SpaceX's total constellation to 300.

A new industry alliance, led by Alphabet's Loon and SoftBank's HAPSMobile stratospheric glider subsidiary, announces it will work on standards and the technology related to deploying network connectivity using high-altitude delivery mechanisms.

Telesat Chief Executive Daniel S. Goldberg states that initial service in selected regions could start in 2022, with the full constellation of 300 spacecraft in service in 2023, A Soyuz rocket carrying 34 of OneWeb's broadband satellites lifts off from Baikonur Cosmodrome in Kazakhstan.

MARCH

Telesat Chief Executive Daniel S. Goldberg says the company still expects its satellites to start launching in late 2021 or early 2022 with initial services in selected regions starting in 2022, with the full constellation of 300 spacecraft in service in 2023. A decision on its prime contractor for its multibillion-dollar LEO constellation will be made by the "middle of the year".

Vodafone states it has invested $25m (£19.5m) in a new space-based broadband network designed to provide mobile signal to devices anywhere on the planet. The Space Mobile project, led by Texas-based AST & Science, is developing the first satellite system that will broadcast mobile broadband from space.

Starlink launches another batch of 60 satellites for its Starlink constellation. This brings its total for the Starlink network to 360 satellites.

Arianespace launches 34 small broadband satellites for OneWeb, expanding the startup's constellation to 74 satellites in low Earth orbit.

APRIL

OneWeb files for Chapter 11 bankruptcy protection in the US Bankruptcy Court for the Southern District of New York. However, the Chapter 11 filing does not mean the end of the constellation which, at the time of bankruptcy, was already 74 satellites-strong (see below).

Writing in TechCrunch, journalist Tess Hatch reports in-depth on a growing and increasingly visible connectivity market from various airborne/stratospheric platforms. Her conclusion is that she "believe[s] there is enough room in this market (and certainly in the stratosphere) for all of these platforms to be successful. They complement existing platforms such as drones and satellites and, for certain critical missions, can be more effective and efficient than their counterparts that operate in the airspace or in LEO/GEO."

It is reported that U.S. rocket company Rocket Lab will launch the StriX-α satellite for Japanese company Synspective – the Earth monitoring constellation will eventually number 25 satellites.

SpaceX launches another batch of Starlink satellites, bringing the total number of Starlink satellites in orbit to 420. The company's CEO Elon Musk announces on Twitter that a private beta for Starlink would begin in around three months, with a public beta to kick off roughly three months after that.

Space journalist Chris Forrester reports that "Jeff Bezos's Amazon is studying UK-headquartered satellite business OneWeb which is in Chapter 11 bankruptcy protection in the US." This joins additional reporting which states that interest has grown to include the UK Government and Eutelsat of France.

MAY

Google standalone spin-off and Alphabet-owned Loon signs a new deal with carrier Vodacom to expand its offering in Africa to Mozambique. This is the second commercial agreement that Loon has in place in the continent, and is close in proximity to Kenya, where their first deal is in place.

Reports state that the U.S. Army will experiment using Starlink broadband to move data across military networks. Space News's Sandra Erwin reports that an Army source has stated the agreement will "allow the Army to understand potential applications of state-of-the art advancements in commercial RF SATCOM such as the new Starlink LEO constellation and modern SATCOM terminal developments capable of tracking LEO satellites."

Satellite operator Viasat reports that it is scrapping its planned Medium-Earth Orbit (MEO) constellation for a new Low-Earth Orbit (LEO) constellation.
SpaceIntelReport reports that satellite fleet operator SES asked U.S. regulators to approve a significant expansion of its O3b Ka-band non-geostationary-orbit constellation to give it full-global coverage and inter-satellite links between satellites in very low LEO and MEO orbit and SES's GEO-orbit fleet.

Telesat Canada, which has ongoing U.S. Defense Department contracts related to its proposed Telesat LEO project but has still not selected a LEO prime contractor or secured funding, asks U.S. regulators to approve a five-fold increase in LEO's constellation, to 1,671 satellites in two orbits.

In spite of going through bankruptcy, OneWeb lodges an application with the Federal Communications Commission to launch a total of 48,000 satellites as part of its mega-constellation.

JUNE

Two SpaceX launches this month place a further batch of 60 satellites and, subsequently, 58 satellites into orbit bringing the size of the constellation to 538 satellites.

The Canadian Space Agency awards Honeywell a $30m contract to work on the Agency's Quantum EncrYption and Science Satellite (QEYSSat) mission – a Quantum Key Distribution demonstration from space. According to SpaceQ: "under this contract, Honeywell will build, test, deliver, provide training for, launch and commission the QEYSSat satellite, which will create a link between ground and space to transmit encryption keys. The work is expected to extend until the end of 2022."

JULY

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

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

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

AUGUST

Two further launches of Starlink satellites – 57, then 58 – bring the current size of the Starlink constellation to 653. In an article carried in Space News, Hughes Network Systems states that it believes "it has a chance at winning some of the $20.4 billion in rural broadband subsidies the U.S. Federal Communications Commission is preparing to spend, thanks to the company's recent investment in megaconstellation startup OneWeb".

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

The Federal Communications Commission approves Amazon's plans for its Kuiper constellation of 3,236 satellites. The FCC states that the company must launch half of the constellation by 2026 to retain its FCC license, and then the remaining satellites by 2029. The program, which Amazon is investing more than $10bn in, is still in the system design stage with no movement yet on procurement.

It is reported that the first results of closed beta testing of SpaceX's Starlink mega-constellation system demonstrate the constellation's ability to deliver low latency, broadband-speed connectivity. Residents of the northern United States and southern Canada, including many rural and cut-off areas, were eligible to test the system and initial results show some users experiencing a latency of just 21ms. Specialist website, Bandwidth Place, states: "A ping value of 20ms or less means you have an excellent latency rate".

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

MARKET IN THE NEXT 6 MONTHS

Our look back at the first six months of 2020 in the previous section listed plenty of activity in the space and airborne connectivity market, despite Covid-19's best efforts.

There have been inevitable knock-on consequences - to supply chains in particular – as coronavirus exploited the interconnectedness of industries and economies across the globe. But there is much to be positive about as the world emerges from under the pall of an all-encompassing pandemic.

First and foremost, if corona has proved anything at all, it is that the world is near-wholly dependent on connectivity when it cannot meet face-to-face, when it cannot conduct business in person, and, when it cannot travel. Connectivity keeps both societies and economies running in times of crisis. The 'new normal' as we venture out of corona-imposed lockdowns and social distancing is that it appears many areas of business and industry will not return to pre-corona methods of work. So it seems that the demand for increased connectivity – already on a sharp upward curve – will become steeper and more pressing in the months and years to come.

Consequently, we see the next few critical months as a mixture of moderate catch-up with regard to supply chains but twinned with an increased urgency in ensuring that additional connectivity as promised from space and the air takes shape.

With 653 satellites in LEO (at the time of writing), and private beta successfully ongoing, SpaceX will likely move to roll-out public beta testing of its low-latency broadband service for those who have registered interest in the United States and Canada. With funding from the US Federal Communications Commission available as part of its over-$20bn Rural Digital Opportunity Fund, and with the company applying for a telecom operator license in Canada, it appears that the first broadband connections from Starlink for regular users may well start as part of the public beta before we report to you next time.

Amazon will look to build out its recently-announced space-focused business: Aerospace and Satellite Solutions. The company's four-fold focus is on: reimagining space system architectures; transforming space enterprises; launching new services that process space data on Earth and in orbit; and, providing secure, flexible, scalable, and cost-efficient cloud solutions to support government missions and companies advancing space around the world. Smarting from a recent Pentagon award of a $10 billion contract to Microsoft and its Azure cloud computing platform, Amazon will look to maneuver its new segment to win US government business.

"Despite the pandemic, momentum in the Space economy continues. In Q2 we witnessed history as venture-backed SpaceX launched NASA astronauts in the final test flight of their Crew Dragon. As the broader economy transitions to remote operations, the most innovative companies are leveraging the space technology stack across GPS, Geospatial Intelligence, and Communications to create a competitive edge. We expect the Space economy to play an increasingly important role in the post-COVID world."

Space Investment Quarterly Q2 2020,
July 2020

And US government and Department of Defense (DoD) activity will also drive developments in the market. The DoD's stated aim for the new Space Development Agency (SDA) was clear from the start: "To accomplish (our) goals, the Department will harness a blend of commercial and government technology, rapid prototyping, experimentation, collaboration with key allies and partners, and enhanced government-commercial relationships."

And true to its founding word the SDA launched, in April 2020, a series of Request for Proposals for the first tranches of its National Defense Space Architecture that will rely on laser communications to securely move data in its constellation of 300-500 satellites. Decisions on the next steps will be forthcoming throughout H2 2020.

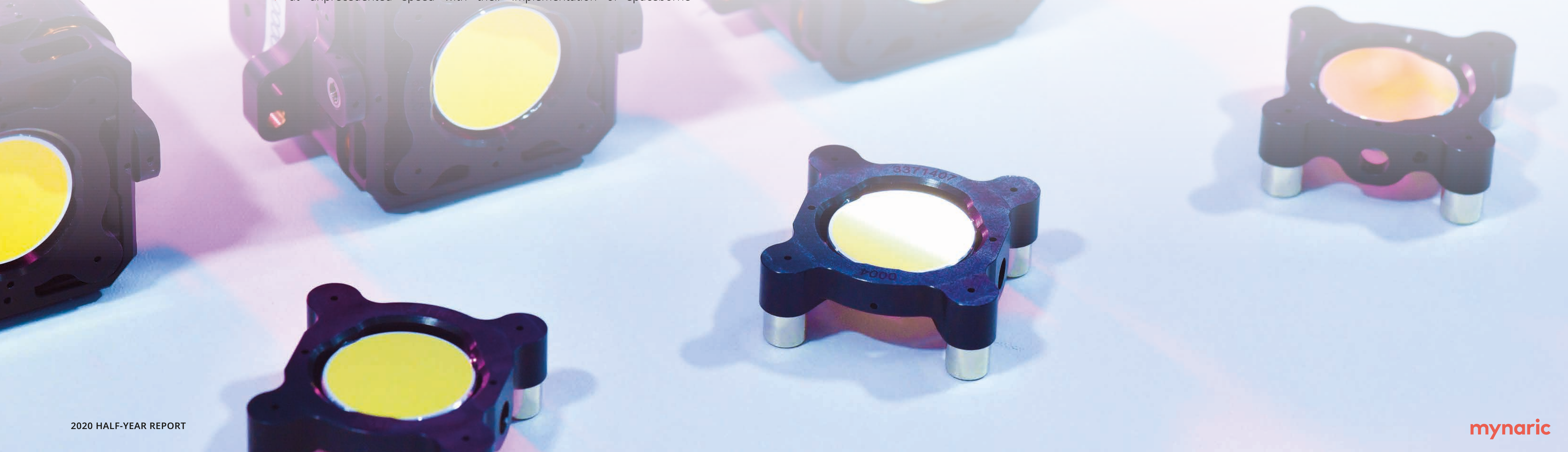
The considerable jockeying shown by numerous players over the auction to win the bankrupt constellation-builder OneWeb demonstrates an undiminished interest in securing a piece of the aerospace network pie. The eventual winners of that auction – a joint consortium of the UK Government and Indian multinational Bharti Global – are expected to invest $500 million each into the company in the coming years. With two major launches in February and March of this year placing a total of 74 operational satellites into orbit, further launches are expected following the company's request with the FCC, in May (post-bankruptcy), to expand its planned broadband internet constellation to as many as 48,000 satellites

We may also see continental Europe eventually wake up and realize that the USA, United Kingdom, India, China and Russia are all progressing at unprecedented speed with their implementation of spaceborne communication infrastructure to secure the competitiveness of their industries as well as increase their geo-political leverage. Whilst the European Union is known to be working only on a study to assess the feasibility and competitiveness of a European satellite constellation, we will have to hope that our home market picks up speed to have any chance of catching up with the rest of the world.

In the airborne sector, Loon will undoubtedly look to secure more commercial contracts having kicked off its commercial service in Kenya – with an eventual network of 35 high-altitude balloons providing connectivity to over 50,000 square kilometers of some of the most underserved regions on Earth.

The recently-formed HAPS Alliance – among whose members are Airbus, Intelsat, Loon and AeroVironment – will press on with its key focus of accelerating the commercial adoption of HAPS technology and promoting cross-industry collaboration.

And we stand by our belief that the HAWK AIR airborne terminal for air-to-ground and air-to-air connectivity has the potential to revolutionize connectivity to and from, as well as between, aircraft that need to communicate securely. With the product soon to be delivered into the hands of first customers we hope that its impact in the market will be able to be reported on in more detail in future Mynaric reports.



4 CONSOLIDATED FINANCIAL STATEMENTS H1 2020

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

in EUR		1.1.2020 – 30.6.2020	1.1.2019 – 30.6.2019
Sales	(1)	254,59.00	66,740.00
Decrease / increase in inventories of finished goods and work in progress	(2)	910,122.49	222,288.02
Other own work capitalized	(10)	4,813,953.27	1,828,805.44
Other operating income	(3)	491,022.34	421,810.42
Output		**6,469,691.10**	**2,539,643.88**
Cost of purchased material and services	(4)	-2,697,814.22	-597,423.17
Personnel expenses	(5)	-7,514,661.09	-3,806,213.07
Depreciation and amortisation of other intangible assets, property, plant and equipment	(10) (11) (12)	-883,560.86	-513,067.09
Other operating expenses		-3,077,525.58	-1,323,124.54
Operating loss		**-7,703,870.65**	**-3,700,183.99**
Interest and similar income	(6)	16,902.36	15,010.17
Interest and other borrowing costs	(6)	-64,633.82	-23,778.95
Net financial result	(6)	**-47,731.46**	**-8,768.78**
Earning before tax (EBT)		**-7,751,602.11**	**-3,708,952.77**
Income tax expense	(7)	-198,460,86	-127,648.06
Consolidated net loss for the year		**-7,950,062.97**	**-3,836,600.83**
Other comprehensive income			
Exchange rate differences (after taxes)	(19)	34,065.21	-22,625.57
Items which may be subsequently reclassified to profit and loss		**34,065.21**	**-22,625.57**
Other comprehensive income after tax		**34,065.21**	**-22,625.57**
Comprehensive income		**-7,915,997.76**	**-3,859,226.40**
Number of shares, basic	(8)	3,135,690	2,757,343
Number of shares, diluted	(8)	3,142,974	2,757,343
Earnings per share, basic	(8)	-2,54	-1,39
Earnings per share, diluted	(8)	-2,53	-1,39
Allocation of consolidated net loss			
Shareholders of the company		**-7,950,062.97**	**-3,836,600.83**
Allocation of comprehensive income			
Shareholders of the company		**-7,915,997.76**	**-3,859,226.40**

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2020

ASSETS

in EUR		30.6.2020	31.12.2019
Assets			
Intangible assets	(10)	14,859,405.66	10,224,365.26
Right-of-use from leasing agreements	(11)	6,341,333.00	6,700,276.38
Property, plant and equipment	(12)	5,190,892.71	3,854,640.19
Other non-current receivables and assets	(14)	348,536.71	225,874.53
Non-current assets		**26,740,168.08**	**21,005,156.36**
Inventories	(13)	6,151,423.82	3,255,359.63
Trade receivables	(14)	238,713.88	75,760.00
Income tax receivables		0.00	10,604.95
Other financial and non-financial assets	(15)	1,164,729.38	1,275,292.26
Cash and cash equivalents	(16)	6,656,821.75	8,913,950.86
Current assets		**14,211,688.83**	**13,530,967.70**
TOTAL ASSETS		**40,951,856.91**	**34,536,124.06**

EQUITY AND LIABILITIES

in EUR		30.6.2020	31.12.2019
Equity			
Subscribed capital	(17)	3,194,734.00	2,904,304.00
Capital reserve	(18)	58,636,174.54	46,174,385.96
Exchange rate differences	(19)	-18,569.31	-52,634.52
Retained earnings		-32,125,026.04	-24,174,963.07
TOTAL EQUITY		**29,687,313.19**	**24,851,092.37**
Liabilities			
Other provisions	(20)	25,400.00	25,400.00
Leasing liabilities	(11)	5,742,038.28	6,079,700.73
Non-current liabilities		**5,767,438.28**	**6,105,100.73**
Other provisions	(19)	2,461,729.18	1,531,220.44
Lease liabilities	(11)	671,009.95	664,094.18
Trade payables	(22)	1,999,787.14	1,207,212.16
Contract liabilities		115,215.00	0.00
Financial and non-financial liabilities	(21)	249,364.17	177,404.18
Current liabilities		**5,497,105.44**	**3,579,930.96**
TOTAL EQUITY AND LIABILITIES		**40,951,856.91**	**34,536,124.06**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

in EUR	Subscribed capital	Capital reserves	Exchange rate differences	Retained earnings	Total
Balance at 1 January 2019	2,704,304.00	35,688,894.76	-9,829.46	-16,346,652.03	22,036,717.27
Capital increase March 2019	200,000.00	10,800,000.00			11,000,000.00
Costs of capital increase		-322,358.98			-322,358.98
Share-based payments		27,867.81			27,867.81
Consolidated net loss for the period				-3,836,600.83	-3,836,600.83
Other comprehensive income			-22,625.57		-22,625.57
Balance at 30 June 2019	**2,904,304.00**	**46,194,403.59**	**-32,455.03**	**-20,183,252.86**	**28,882,999.70**
Balance at 31 December 2019	**2,904,304.00**	**46,174,385.96**	**-52,634.52**	**-24,174,963.07**	**24,851,092.37**
Capital increase February 2020	290,430.00	12,052,845.00			12,343,275.00
Costs of capital increase		-517,336.50			-517,336.50
Share-based payments		926,280.08			926,280.08
Consolidated net loss for the period				-7,950,062.97	-7,950,062.97
Other comprehensive income			34,065.21		34,065.21
Balance at 30 June 2020	**3,194,734.00**	**58,636,174.54**	**-18,569.31**	**-32,125,026.04**	**29,687,313.19**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

in EUR	1.1.2020 – 30.6.2020	1.1.2019 – 30.6.2019
Operating loss	-7,703,870.65	-3,700,183.99
Interest paid	-64,633.82	-23,778.95
Interest received	16,902.36	15,010.17
Goodwill impairment	0.00	3,500.00
Depreciation and amortization of property, plant and equipment and other intangible assets	883,560.86	509,567.09
Expense of share-based payments	926,280.08	27,867.81
Change in other provisions	930,508.74	-3,862.53
Change in accounts receivable and other assets	-3,723,154.92	-570,824.47
Change in accounts payable and other liabilities	864,534.97	-921,564.31
Cash flows from operating activities	**-7,869,872.38**	**-4,664,269.18**
Purchase of goodwill	0.00	-3,500.00
Purchase of property, plant and equipment and intangible assets	-6,497,411.42	-2,464,565.71
Proceeds from other financial assets	777,857.50	773,277.55
Proceeds from disposal of non-current assets	1,502.02	-5,802.05
Cash flows from investing activities	**-5,718,051.90**	**-1,700,590.21**
Proceeds from capital increases	11,627,477.64	10,549,992.96
Cash payments for the settlement of leasing liabilities	-330,746.68	-108,321.61
Cash flows from financing activities	**11,296,730.96**	**10,441,671.35**
Exchange rate differences	**42,826.13**	**-41,895.35**
Net increase/decrease in cash	**-2,248,367.19**	**4,034,916.61**
Changes due to exchange differences	-8,761.92	19,269.78
Cash and cash equivalents at beginning of period	8,913,950.86	12,922,548.50
Cash and cash equivalents at end of period	**6,656,821.75**	**16,976,734.89**

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

I. GENERAL PRINCIPLES

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

II. PRINCIPLES AND METHODS

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

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

This consolidated financial statement breaks the consolidated balance sheet and consolidated statement of income and of comprehensive income into a number of cut-off dates in order to depict a reasonable period of comparison. For information pertaining to balance sheet items, the prior year refers to 31 December 2019 ("prior year"); for information pertaining to the statement of income and of comprehensive income, the prior period refers to the period from 1 January to 30 June 2019 ("prior period").

III. CONSOLIDATION METHODS

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

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

IV. CONSOLIDATED COMPANIES

The consolidated financial statements of Mynaric AG include Mynaric AG as well as two domestic and one foreign subsidiary. The table "Scope of Consolidation" shows the subsidiaries with their holding amounts.

Mynaric Systems GmbH, Gilching—which was acquired on 15 March 2019 as a non-operating company - was included for the first time in the consolidated statement of income for the reporting period from 1 January 2019 to 30 June 2019.

SCOPE OF CONSOLIDATION

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

V. CURRENCY CONVERSIONS

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

VI. ACCOUNTING AND VALUATION PRINCIPLES

NEW ACCOUNTING STANDARDS

The International Accounting Standards Board (IASB) and the IFRIC have amended the following standards and interpretations, the application of which is mandatory for the 2020 financial year:

• Updating references to the Conceptual Framework in multiple standards and interpretations
  The IASB released a revised Conceptual Framework in 2018 that largely focused on conceptual accounting elements, such as the definition of assets and debts. The revised version did not contain any material changes. One consequence was that numerous references to the Conceptual Framework in standards and interpretations needed to be adapted accordingly. To this end, the IASB released a summary explanation of the updated references to the Conceptual Framework in IFRS standards.

- Amendment to IFRS 3: Definition of a Business
  The definition of a business was specified in IFRS 3 "Business Combinations" and practical examples were added. The modified IFRS 3 clarifies that three core characteristics must be met for an operation to be considered a business. The business must be able to generate marketable goods or services (outputs) through a value-generating process (substantive process) with the help of input factors (inputs).

- Amendments to IAS 1 and IAS 8: Definition of "Material"
  The amendments to IAS 1 and IAS 8 released in October 2018 narrowed down the principle of materiality that must generally be observed and differing definitions of materiality that occurred in individual standards were adapted to the definition in the Conceptual Framework. The new definition of materiality states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions made by the primary users of financial statements.

- Amendments to IFRS 9, IAS 39, IFRS 7: IBOR Reform
  At the end of September 2019, the IASB released its interest rate benchmark reform. The goal was to avoid uncertainty in the application of IFRS 9, IAS 39 and IFRS 7 caused by IBOR reform when applying new benchmark rates. The modifications specifically focused on certain hedge accounting requirements in order to provide relief and allow the continuation of existing hedging relationships through cash flows despite uncertainty. An exception regarding retrospective evaluation under IAS 39 was also added along with relief from the separate identifiability requirement for macro hedging.

The Group has implemented all accounting standards mandatory as of January 1, 2020. The application has made no significant impact on these consolidated financial statements.

NEW ACCOUNTING STANDARDS THAT HAVE NOT YET BEEN APPLIED

The IASB has issued standards, interpretations and amendments to existing standards, the application of which is not yet mandatory or will not be mandatory until later reporting periods and which Mynaric AG has not yet adopted.

NOT YET INCORPORATED INTO EU LAW	DATE OF APPLICATION (EU)
IFRS 17: Insurance Contracts	1/1/2023
Amendments to IAS 1	1/1/2022 or 1/1/2023
Amendments to IFRS 3	1/1/2022
Amendments to IAS 16	1/1/2022
Amendments to IAS 37	1/1/2022
2018–2020 annual improvements	1/1/2022
Amendments to IFRS 16 (COVID-19-related relief)	6/1/2020
Amendments to IFRS 4	1/1/2021

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The Group has the following financial assets subject to the credit losses model according to IFRS 9:
- Trade receivables
- Bank balances with residual maturities of over three months

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

The simplified approach is used to determine expected credit losses for trade receivables.

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

Revenue Recognition

Revenue recognition is based on the principle that revenue is only recognized in the amount of the consideration when control of the goods or services is transferred to the customer. The contractual provisions as well as all relevant facts and circumstances must be taken into account. In principle, accounting is carried out at the individual contract level with a customer, unless the prerequisites for grouping contracts are fulfilled. The provisions of the standard are applied uniformly to similarly structured contracts and under similar circumstances. The Group generated revenues exclusively from the sale of goods and services.

Sale of goods and services

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

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

Own work capitalized

Development expenditures are recognized as an asset pursuant to IAS 38.57 if a newly developed product or process can be clearly delineated, is technically feasible and if it is intended either for the Company's own use or for sale. A further condition is that it must be sufficiently likely for the development expenditure to be recouped from future cash flows. Such expenditure is recognized on the production costs incurred, primarily the development hours multiplied by the applicable hourly cost rate as well as on the costs of products and services purchased. In the reporting period, development costs in the amount of EUR 1.498 million (prior period: EUR 1.049 million) have been recognized as expenses, since the IAS 38.57 criteria were not met. Of a total of EUR 6.154 million (prior period: EUR 2.878 million) in development costs, a total of EUR 4.656 million (prior period: EUR 1.829 million) was capitalized.

In addition, own-work capitalized, contains plant and equipment in the amount of EUR 158 thousand.

Grants

Grants totaling EUR 175 thousand (prior period: EUR 140 thousand) were recognized as revenue. Revenue from grants for development services recognized at the time the costs are incurred. Revenues from grants are not offset against expenses (gross presentation). At present, there are no indications that conditions cannot be met by donors..

Financial results

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

Intangible Assets

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

Property, plant and equipment

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

The depreciation periods for property, plant and equipment are 3 to 14 years for machinery and technical equipment and 3 to 13 years for other equipment, factory and office equipment.

Inventories

Inventories are valuated at acquisition or production cost or at the lower net realizable value on the balance sheet date. Production costs are comprised of traceable direct and indirect costs.

Other financial assets

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

- those subsequently measured at fair value (either not affecting net income – FVOCI – or affecting net income – FVPL -), and
- those measured at amortized cost (AmC).

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

A normal market purchase or sale of financial assets is recognized on the trade date, i.e. the date on which the Group commits itself to buy or sell the asset. Financial assets are derecognized when the rights to receive the cash flow from these financial assets have expired or have been transferred and the Group has also transferred substantially all risks and opportunities associated with ownership.

On initial recognition, the Group recognizes a financial asset at fair value plus the transaction costs directly attributable to the acquisition of that asset in the case of a subsequent financial asset not recognized at fair value through profit or loss. Transaction costs for financial assets measured at FVOCI are recognized as expenses in profit and loss.

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

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

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

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

Deferred taxes

Under IAS 12, temporary differences between the tax bases of assets and liabilities and their carrying amounts under IFRS/IAS result in deferred taxes. The Mynaric Group applies a uniform tax rate of approximately 28% for calculating domestic deferred taxes. Income taxes for 2020 were calculated in detail using differentiated tax rates. Deferred tax assets are recognized pursuant to IAS 12. Deferred tax assets are recorded to the extent it is probable that taxable profit will be available against which the temporary difference can be utilized. This also applies to deferred tax assets on tax losses carried forward. If the tax assets are unlikely to be realized, they are impaired by the appropriate amount.

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

Equity

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

Share-Based payments

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

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

Other provisions

In accordance with IAS 37other provisions have been reliably assessed for transactions resulting in an outflow of company's resources to settle present obligations. Estimates are based primarily on detailed calculations. Provisions for which an outflow of resources is only expected after 12 months are classified as non-current and recognized at the present value of future cash outflows.

Financial liabilities

Liabilities comprise financial liabilities, trade payables and other liabilities, and are classified in the category of financial liabilities measured at amortized cost (FLAC). Financial liabilities are accounted at amortized cost using the effective interest method. They are initially recognized at fair value, including transaction costs. Financial liabilities are derecognized when the contractual obligations are settled, canceled or expire. If the financial liabilities are not due for settlement within 12 months of the end of the reporting period, they are classified as non-current, otherwise as current.

Leasing

Upon applying IFRS 16 for the first time in the 2019 fiscal year, the Group recognizes lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities are assessed at the present value of the remaining lease payments, discounted at the borrower's incremental borrowing rate.

There were no leases previously classified as finance leases.

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

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

• fixed payments (including de facto fixed payments) less any leasing incentives to be received
• variable lease payments linked to an index or (interest) rate
• amounts expected to be payable by the lessee under residual value guarantee
• the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
• penalty payments for terminating the lease purchase if the lease term reflects the lessee exercising an option to terminate the lease

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

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

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any leasing incentives received
- any initial direct costs incurred by the lessee
- estimated costs incurred by the lessee in dismantling or disposing of the underlying asset, restoring the site where it is located, or re-establishing the condition required by the lease agreement

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

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

ESTIMATES

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

The assessment of the internally funded development expenses was based on estimates of future cash flows. Technological progress, a deteriorating market or damage can lead to an unplanned depreciation of property, plant and equipment.

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

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

Other provisions are recognized based on available knowledge and using the customary scope of discretion. For risks from legal disputes, the accounted provisions are based on assessments by the lawyers involved with the matter. Impairment losses on financial assets are based on assumptions about the risk of default and expected loss rates. The Group uses discretion in making these assumptions and selecting input factors for calculating impairment losses based on the Group's historical experience, existing market conditions and forward looking estimates at the end of each reporting period.

VII. NOTES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

[1] SALES REVENUES

A total of 65% of sales revenues were generated in Asia (prior period: 0%) and 35% in Europe (prior period: 100%).

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

[2] INCREASE/DECREASE IN INVENTORIES OF FINISHED GOODS AND WORKS IN PROGRESS

The increase in inventories of works in progress in the amount of EUR 413 thousand is primarily attributable to space and air terminals in production (prior period: EUR 222 thousand in optical ground stations). The overall increase in of work in progress totals EUR 641 thousand (prior period: EUR 222 thousand). The position was reduced by disposals in the amount of EUR 104 thousand (prior period: EUR 0). Finished goods increased by EUR 360 thousand (prior period: EUR 0) attributable to air terminals.

[3] OTHER OPERATING INCOME

Other operating income in the amount of EUR 491 thousand (prior period: EUR 422 thousand) comprises EUR 186 thousand in income from the reversal of provisions (prior period: EUR 212 thousand), EUR 55 thousand in income from currency differences (prior period: EUR 37 thousand) and EUR 175 thousand in income from grants (prior period: EUR 140 thousand).

[4] COST OF MATERIALS

Other operating income in the amount of EUR 491 thousand (prior period: EUR 422 thousand) comprises EUR 186 thousand in inc

IN TEUR	01/01–6/30/2020	01/01–6/30/2019
FINANCIAL INCOME		
Cost of raw materials and supplies	2,229	181
Expenses for purchased services	469	416
Total	2,698	597

[5] PERSONNEL EXPENSES

IN TEUR	01/01–6/30/2020	01/01–6/30/2019
FINANCIAL INCOME		
Wages and salaries	6,621	3,251
Social security contributions and expenses for pensions and other employee benefits	893	555
Total	7,515	3,806

Social security contributions and expenses for pensions and other benefits include employer contributions to the German statutory pension insurance scheme. With regard to the share-based payments ([9] SHARE-BASED PAYMENTS), personnel expenses were recognized in the amount of EUR 926 thousand (prior period: EUR 28 thousand). The significant change from the prior period result from stock options for the former board members being vested on 30 June 2020.

[6] INTEREST AND OTHER FINANCIAL EARNINGS

IN TEUR	01/01–6/30/2020	01/01–6/30/2019
FINANCIAL INCOME		
FINANCIAL INCOME Other interest income from loans and receivables	17	15
FINANCIAL EXPENSES Other financial expenses	-65	-24
Total	-48	-9

[7] INCOME TAX EXPENSE

IN TEUR	01/01–6/30/2020	01/01–6/30/2019
Expected taxes at tax rate of approx. 28.00% (prior period: approx. 28.00%)	2,150	1,028
Effects from temporary differences in capitalized development costs	-1,266	-495
Effects from temporary differences in other intangible assets	-3	0
Effects from temporary differences in work in progress	-3	10
Effects from temporary differences in leasing	8	3
Effects of non-tax-deductible expenses	9	5
Effects of unused tax losses and offsetting options not originally recognized that are now recognized as deferred	1,264	482
Effects of unused tax losses not recognized as deferred tax assets and offsetting options	-1,961	-906
Tax expenses for the period	**198**	**127**

Breakdown of tax expenses:

	01/01–06/30/2020		01/01–06/30/2019	
IN TEUR	CURRENT TAXES	DEFERRED TAXES	CURRENT TAXES	DEFERRED TAXES
Domestic	0	-198	-4	124
International	0	0	0	0
Total	**0**	**-198**	**-4**	**124**

As a result of the start-up losses incurred to date, for domestic tax losses and interest expenses carried forward with the amount of EUR 43,256 thousand (prior year: EUR 32,723 thousand) for corporate tax and EUR 44,166 thousand (prior year: EUR 32,637 thousand) for trade tax deferred tax assets were only recognized in the amounts of recognized deferred tax liabilities. The same applies for foreign tax losses carried forward amounting to EUR 3,567 thousand (prior year: EUR 1,748 thousand). The losses carried forward do not expire.

In the fiscal year, the changes in deferred taxes not affecting income amounted to EUR 0 (prior period: EUR 0).

Deferred tax assets and liabilities:

	06/30/2020		12/31/2019		01/01–6/30/2020	01/01–6/30/2019
IN TEUR	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	CHANGE AFFECTING NET INCOME	
Intangible assets and property, plant and equipment	0	4,081	0	2,812	-1,269	-495
Work in progress	48	0	51	0	-3	10
Leasing	20	0	12	0	8	3
Tax loss carry-forwards and tax credits	4,013	0	2,749	0	1,264	482
Offsetting	-4,081	-4,081	-2,812	-2,812	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

[8] EARNINGS PER SHARE ACCORDING TO IFRS/IAS

Basic earnings per share are calculated by dividing the profit after tax attributable to the shares by the number of shares qualifying for dividends. This ratio may be diluted by so-called potential shares, in particular option and subscription rights. At the balance sheet date, there were 7,284 comparable rights with a positive value that were included in the computation. Due to the low number of these rights, the diluted and undiluted earnings per share were virtually identical after rounding. The Company's share capital as of 30 June 2020 is EUR 3,194,734. The calculation of earnings per share was based on 3,135,690.00 shares (prior period: 2,757,343 shares). This corresponds (after factoring in a capital increase of 290,430.00 shares) to the weighted average of common shares in issue. The consolidated net loss of EUR -7,950,062.97 (prior period: EUR -3,836,600.83) was used as the basis for the calculation.

Undiluted earnings per share from 01 January to 30 June 2020 was EUR -2.54 (prior period: EUR -1.39) while diluted earnings per share was EUR -2.53 (prior period: EUR -1.39).

[9] SHARE-BASED PAYMENTS

2017 options plan

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

2019 options plan

In the 2019 fiscal year, subscription rights were granted to selected employees in the form of stock options from the 2019 options plan. A subscription right entitles the holder to acquire shares in the Company at the respective exercise price. The waiting period for exercising the options is four years after the date on which the options were granted. The options can be exercised within three years following expiration of the vesting period to the extent that the performance target has been achieved. The performance target is linked to the absolute performance of the Company's share price during the waiting period. The options may be exercised only if the volume-weighted 6-month average price of the Company's share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange at the end of the waiting period is at least 20% above the exercise price. In addition to the options for beneficiaries, the 2019 options plan (Tranche 2019 I) granted options as compensation for the waiving of claims arising from the options granted in 2018 as part of the 2017 options plan. Additional options were also granted from the 2019 options plan at the end of 2019 (Tranche 2019 II). On 31 March 2020, additional options from the 2019 options plan were granted to selected beneficiaries (Tranche 2020 I). Another grant of options occurred on 30 June 2020 for eligible board members/executives and employees (Tranche 2020 II).

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

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

The options developed as follows in the period from 01 January to 30 June 2020:

	TRANCHE 2018	TRANCHE 2019 I	TRANCHE 2019 II	TRANCHE 2020 I	TRANCHE 2020 II
Options outstanding at the start of the 2020 reporting period (1/1/2020)	2,200	109,800	20,000	-	-
Options granted in the 2020 reporting period	--	-	-	19,850	43,000
Options forfeited in the 2020 reporting period	--	-	-	--	--
Options exercised in the 2020 reporting period	--	-	-	--	--
Options that expired in the 2020 reporting period	--	-	-	--	--
Options outstanding at the end of the 2020 reporting period (6/30/2020)	2,200	109,800	20,000	19,850	43,000
Options exercisable at the end of the 2020 reporting period (6/30/2020)	--	-	-	--	--

No options were exercised in the period from 01 January to 30 June 2020. The contractual residual maturities of the options from the 2017 and 2019 options plans are shown in the table below.

VALUATION MODEL AND INPUT PARAMETERS

The valuation of the existing option programs was carried out using the Monte Carlo simulation and taking into account the option conditions. The following table shows the input parameters of the model as of 6/30/2020.

	TRANCHE 2018	TRANCHE 2019 I	TRANCHE 2019 II	TRANCHE 2020 I	TRANCHE 2020 II
Exercise price (in EUR)	59.15	42.46	41.03	46.50	47.25
Term in years	6	7	7	7	7
Remaining term in years	3.81	6.16	6.41	6.67	6.92
Share price at valuation date (in EUR)	52.20	38.00	38.50	35.20	51.00
Expected dividend yield (in %)	0.00	0.00	0.00	0.00	0.00
Expected volatility (in %)	46.41	45.91	45.66	48.32	48.45
Risk-free interest rate (in %)	0.04	-0.74	-0.39	-0.62	-0.60
Options value (in EUR)	15.71	11.53	12.42	9.43	19.55

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

Total expenses for share-based payments recognized in the reporting period are EUR 926 thousand (prior period: EUR 28 thousand). The capital reserve as of 30 June 2020 is EUR 1,063 thousand (prior year: EUR 173 thousand).

VIII. NOTES TO THE CONSOLIDATED BALANCE SHEET

[10] INTANGIBLE ASSETS

DEVELOPMENT OF INTANGIBLE ASSETS: HISTORICAL COST

IN TEUR

As of 01/01/2019	4,395
Additions	6,100
Disposals	0
As of 12/31/2019–01/01/2020	10,495
Additions	4,758
Disposals	0
As of 06/30/2020	15,252

DEVELOPMENT OF INTANGIBLE ASSETS—ACCUMULATED AMORTIZATION

IN TEUR

As of 01/01/2019	160
Additions	110
Disposals	0
As of 12/31/2019–01/01/2020	270
Additions	123
Disposals	0
As of 06/30/2020	393
Net book value as of 06/30/2020	14,859
Net book value as of 12/31/2019	10,224

The intangible assets primarily comprise own work capitalized for the development of satellite and air terminals (book value: EUR 14,707 thousand; prior year: EUR 10,139 thousand) as well as software acquired (book value: EUR 152 thousand; prior year: EUR 85 thousand). Costs for development projects are primarily attributed to the satellite terminal in the amount of EUR 9,735 thousand (prior year: EUR 6,514 thousand) as well as to the air terminal in the amount of EUR 3,984 thousand (prior year: EUR 3,216 thousand). Capitalized development costs increased during the reporting period by EUR 4,656 thousand (prior year: EUR 1,829 thousand). Development costs were amortized in the amount of EUR 88 thousand (prior period: EUR 46 thousand) due predominantly to the depreciation of developed ground stations with a service life of 3 years.

[11] RIGHTS OF USE FROM LEASING AGREEMENTS

DEVELOPMENT OF RIGHTS OF USE FROM LEASING AGREEMENTS: HISTORICAL COST

IN TEUR

As of 12/31/2019	7,179
Additions	0
Disposals	0
As of 06/30/2020	7,179

DEVELOPMENT OF RIGHTS OF USE FROM LEASING AGREEMENTS: ACCUMULATED AMORTIZATION

IN TEUR

As of 12/31/2019	479
Additions	359
Disposals	0
As of 06/30/2020	838
Net book value as of 06/30/2020	6,341
Net book value as of 12/31/2019	6,700

The book value of the leasing liabilities amounted to EUR 6,413 thousand as of Tuesday, June 30, 2020, of which EUR 5,742 thousand was long-term and EUR 671 thousand was short-term.

The estimated rights of use refer to land and buildings. The underlying lease has as term of 10 years.

[12] PROPERTY, PLANT AND EQUIPMENT

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT: HISTORICAL COST

IN TEUR	
As of 01/01/2019	2,875
Additions	1,988
Disposals	-192
As of 12/31/2019	4,671
Additions	1,740
Disposals	-2
As of 06/30/2020	6,409

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT - ACCUMULATED DEPRECIATION

IN TEUR	
As of 01/01/2019	424
Additions	586
Disposals	-194
As of 12/31/2019	816
Additions	402
Disposals	0
As of 06/30/2020	1,218
Net book value as of 06/30/2020	5,191
Net book value as of 12/31/2019	3,855

The fixed assets comprise EUR 1,045 thousand improvements in buildings on third-party land (prior year: EUR 1,094), EUR 2,042 thousand in technical equipment and machinery (prior year: EUR 1,641 thousand) and EUR 1,563 thousand in operating and office equipment (prior year: EUR 636 thousand). Payments on account and assets under construction in the amount of EUR 541 thousand (prior year: EUR 484 thousand) primarily refer to the remaining investments in the new premises leased in 2019.

[13] INVENTORIES

IN TEUR	06/30/2020	12/31/2019
Raw materials and consumables	2,706	733
Work in progress	2,558	2,145
Finished goods	360	0
Payments on account	527	377
Total	**6,151**	**3,255**

Payments on account were assigned to inventories due to their close material relationship.

Only very minor impairments on inventories due to a lower net realizable value on the balance sheet date were necessary in the reporting period.

[14] TRADE RECEIVABLES

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

IN TEUR	06/30/2020	12/31/2019
Trade receivables	239	76
Less impairment losses	0	0
	239	76
Impairment on 1/1	0	0
Contribution	0	210
Derecognition of receivables	0	210
Reversal	0	0
As of 12/31 and 6/30	0	0

The trade receivables as of June 30, 2020 are due in the following time intervals:

In TEUR	≤ 30 DAYS	31–60 DAYS	61–90 DAYS	91–180 DAYS	> 180 DAYS
Trade receivables	239	0	0	0	0

The trade receivables as of 31 December 2019 are due in the following time intervals:

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

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

	06/30/2020		12/31/2019	
IN TEUR	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
NON-FINANCIAL ASSETS				
VAT receivables	711	0	163	0
Accruals and deferrals	303	0	212	0
Payments on account	0	0	0	0
Other	51	0	14	0
FINANCIAL ASSETS				
Deposits	50	349	50	226
Accrued interest	0	0	65	0
Bank balances with residual maturities of over three months	0	0	771	0
Other	50	0	0	0
Total	**1,165**	**349**	**1,275**	**226**

The maximum default risk of financial assets is the book value on the balance sheet.

The balances at banks classified as other financial assets are only subject to insignificant risks of changes in value.

[16] CASH AND CASH EQUIVALENTS

Cash and cash equivalents totaled EUR 6,657 thousand at the balance sheet date (prior: EUR 8,914 thousand) and comprise mainly bank balances as well as cash on hand. This includes a fixed-term deposit of USD 875 thousand due on 24 August 2020. Bank balances are only subject to insignificant risks of changes in value. Cash and cash equivalents correspond to the funds in the cash flow statement.

[17] SUBSCRIBED CAPITAL

As of 01 January 2020, the Company's share capital was EUR 2,904,304, divided into 2,904,304 ownership shares, each with a par value of EUR 1. The Management Board and the Supervisory Board decided on 02 April 2020 to increase the Company's share capital, with partial utilization of the 2019/I authorized capital, by EUR 290,430.00 from EUR 2,904,304.00 to EUR 3,194,734.00 through the issuing of 290,430 new bearer shares, each amounting to EUR 1 of the share capital, against cash contributions.

(A) CONTINGENT CAPITAL

The existing conditional capital for 2017 was revoked at the annual shareholders' meeting on 12 June 2020 except for a balance of EUR 1,500.00.

The shareholders' meeting on 02 July 2019 already approved a conditional capital for 2019 in the amount of EUR 270,000.00. The Management Board is authorized through 31 December 2022 ("authorization period"), with the approval of the Supervisory Board, to grant subscription rights ("stock options") on one or more occasions for:

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

Where members of the Management Board are concerned, the Supervisory Board is authorized.

At the shareholders' meeting on 12 June 2020, a new conditional capital (2020/I) in the amount of EUR 34,473.00 was approved. The additional conditional capital is used exclusively to grant subscription rights to shares (stock options) to members of the Company's Management Board or executives of affiliated companies as well as to Company employees or employees of affiliated companies.

The shareholders' meeting on 12 June 2020 approved an additional new conditional capital (2020/II) in the amount of EUR 1,277,893.00. The increase of this conditional capital is only executed to the extent that bearers of convertible and/or warrant bonds being issued by the Company until 11 June 2025 with the authorization of the shareholders' meeting on 12 June 2020 exercise their conversion/warrant rights or conversion obligations are fulfilled as such and no other forms of fulfillment are used to service these rights.

(B) AUTHORIZED CAPITAL

The 2017/I authorized capital totaling up to EUR 735,696.00 against cash and/or non-cash contributions through the issuing of up to 735,696 new no-par value bearer shares was revoked at the annual shareholders' meeting on 2 July 2019. Instead, the Management Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions by a total of up to EUR 1,352,152 by issuing up to 1,352,152 new no-par value bearer shares against cash and/or non-cash contributions until 01 July 2024 (2019 authorized capital). As decided by the Management Board and the Supervisory Board on 04 February 2020, the Company's share capital was increased, with partial utilization of the 2019/I authorized capital, by EUR 290,430.00 from EUR 2,904,304.00 to EUR 3,194,734.00 through the issuing of 290,430 new bearer shares, each amounting to EUR 1.00 per share, against cash contributions, thus decreasing the 2019/I authorized capital to EUR 1,061,722.00. The remaining 2019/I authorized capital in the amount of EUR 1,061,722.00 was revoked at the shareholders' meeting on 12 June 2020 to take effect at the time the new 2020 authorized capital is registered.

The shareholders' meeting on 12 June 2020 decided to create a new 2020 authorized capital. The Management Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions by a total of up to EUR 1,597,367.00 by issuing up to 1,597,367 new no-par value bearer shares against cash and/or non-cash contributions until 11 June 2025 (2020 authorized capital). The Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' legal subscription rights under certain circumstances.

[18] CAPITAL RESERVE

As of 30 June 2020, the capital reserve totaled EUR 58,636 thousand. The change compared to 01 January 2020 with a balance of EUR 46,174 thousand was mainly the result of the increase in share capital decided on 04 February 2020 and the resulting additional paid-in capital totaling EUR 12,053 thousand. The capital reserve was reduced by capital procurement costs totaling EUR 517 thousand. In the reporting period, EUR 926 thousand was allocated to the capital reserve for share-based payments.

[19] CURRENCY DIFFERENCES (EQUITY FROM UNREALIZED GAINS/LOSSES)

The accumulated currency differences of EUR -19 thousand (prior year: EUR -53 thousand) comprises unrealized gains/losses from currency conversion in the amount of EUR 34 thousand (prior period: EUR -23 thousand).

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

IN TEUR	01/01/2020	UTILI-ZATION	REVERSALS	ADDI-TIONS	
Personnel	1,070	1,023	34	1,375	1,388
Legal disputes	150	2	148	200	200
Year-end closing expenses and audit fees	90	42	0	57	105
Supervisory Board remuneration	45	15	0	65	95
Onerous contracts	0	0	0	495	495
Warranties	19	0	0	0	19
Other	183	159	4	165	185
Total	**1,557**	**1,241**	**186**	**2,357**	**2,487**

IN TEUR		THEREOF LONG-TERM PROVISIONS
Personnel	0	0
Legal disputes	0	0
Year-end closing expenses and audit fees	0	0
Supervisory Board remuneration	0	0
Expected losses/onerous contracts	0	0
Warranties	19	19
Other	6	6
Total	**25**	**25**

Provisions for legal disputes are related to the insolvency of one of Mynaric's former customers. During the winding up of its company, the customer intends to have claims asserted related to a transaction completed and fulfilled by the Company in the past. Mynaric does not expect the claims to succeed, however, it sees itself faced with the necessary costs of defending against the claims in court.

In July 2020, Mynaric announced that it will terminate all business relations in China effective immediately. This announcement is the consequence of a notice in the form of a targeted intervention by the Federal Ministry for Economic Affairs and Energy that bans the delivery of laser communications products to China. EUR 495 thousand were accrued to cover the expected costs of dissolving the existing contractual relationships.

[21] CURRENT FINANCIAL AND NON-FINANCIAL MISCELLANEOUS LIABILITIES

IN TEUR	06/30/2020	12/31/2019
NON-FINANCIAL LIABILITIES		
Social security contributions and wage taxes	232	171
Other	2	1
FINANCIAL LIABILITIES		
Other financial liabilities	15	5
Total	**249**	**177**

[22] ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS

IN TEUR	06/30/2020		12/31/2019	
	SHORT-TERM	NON-CURRENT	CURRENT	NON-CURRENT
Amortized cost (AmC)				
Other financial assets	100	349	886	226
Cash and cash equivalents	6,657	0	8,914	0
Trade receivables	239	0	76	0
Total	**6,996**	**349**	**9,786**	**226**
Acquisition costs (FLAC)				
Trade payables	2,392	0	1,207	0
Other financial liabilities	15	0	5	0
Total	**2,407**	**0**	**1,212**	**0**

In the case of other financial assets, trade receivables and cash and cash equivalents, it is assumed that the book value corresponds to the fair value due to the short-term nature.

The non-current financial assets in the AmC category have a book value approximating their fair value. These are interest-free deposits; based on the current low level of interest rates, there is hardly any difference.
In the case of short-term financial liabilities in the amortized cost category (FLAC), such as trade payables and other financial liabilities, the book value corresponds to the fair value due to the short-term nature.

The net results comprise interest income of EUR 17 thousand and interest expenses of EUR 65 thousand. They are presented in the section on the financial result.

NET RESULTS BY VALUATION CATEGORY 2020

IN TEUR		OTHER INCOME AND EXPENSE/PROFIT AND LOSS ITEMS
Financial assets	AmC	0

NET RESULTS BY VALUATION CATEGORY 2019

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

Trade receivables and cash and cash equivalents are generally subject to the valuation requirements of IFRS 9. The credit risk of all bank balances is classified as low at each balance sheet date. Due to the customer structure, the default risk for trade receivables is also classified as low. Expected credit losses were not recognized in the trade receivables according to IFRS 9 due to their immaterial impact. As of 30 June 2020, it was not necessary to derecognize any receivables (prior year: EUR 210 thousand).

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

[23] CASH FLOW STATEMENT

Cash and cash equivalents correspond to cash and cash equivalents at the balance sheet date, which comprise cash

IX. FINANCIAL RISK MANAGEMENT

LIQUIDITY RISKS

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

MATURITY ANALYSIS FINANCIAL LIABILITIES

	06/30/2020				
IN TEUR	< 1 YEAR	1–2 YEARS	3–5 YEARS	>10 YEARS	TOTAL
Trade payables	2,000	0	0	0	2,000
Other short-term financial liabilities	15	0	0	0	15
Total	**2,015**	**0**	**0**	**0**	**2,015**

	12/31/2019				
IN TEUR	< 1 YEAR	1–2 YEARS	3–5 YEARS	>10 YEARS	TOTAL
Trade payables	1,207	0	0	0	1,207
Other current financial liabilities	5	0	0	0	5
Total	**1,212**	**0**	**0**	**0**	**1,212**

CREDIT/DEFAULT RISKS

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

CURRENCY RISKS

The Group operates predominantly within the euro zone and is therefore exposed to low foreign currency risks from operating activities. Sales in Asia were billed in euros. Sales are also transacted in foreign currencies (USD). The cash inflows generated in USD will be used to finance the U.S. subsidiary. At the balance sheet date, there were mainly receivables in USD in the amount of EUR 9 (prior year: EUR 202 thousand). There is also a fixed-term deposit of USD 875 thousand due by 8/24/2020 that is intended to finance Mynaric USA Inc. No significant purchases are made in foreign currency (USD).

INTEREST RATE RISKS

The Group has interest-bearing financial assets in the form of a fixed-rate, fixed-term deposit of USD 875 thousand due on 24 August 2020, but does not have interest-bearing financial liabilities. There are no special interest rate risks.

CAPITAL RISK MANAGEMENT

The Group's primary financial targets include the long-term increase in shareholder value, the securing of solvency at all times with regard to the going-concern of the Group and the preservation of an optimal capital structure. Ensuring that sufficient liquidity is available is of crucial importance in this context. These goals are achieved by means of an integrated controlling concept, whereby the management receives various data on individual items of the balance sheet as part of a monthly analysis. This provides information on trends for necessary business decisions. As of 30 June 2020, the Company's equity ratio was 72% (prior year: 72%). The equity ratio was calculated as the total equity in relation to the balance sheet total. The Group's overall strategy is unchanged from 2019.

X. OTHER INFORMATION

SEGMENT REPORTING

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

Sales are broken down by region as follows:

A total of 65% of sales revenues were generated in Asia (prior period: 0%) and 35% in Europe (prior period: 100%). One client of the Mynaric Group accounted for EUR 165 thousand (prior period: EUR 0) and 65% of total sales (prior period: 0%).

OTHER FINANCIAL OBLIGATIONS

	06/30/2020			
IN TEUR	≤ 1 YEAR	1–5 YEARS	> 5 YEARS	TOTAL
Leasing contracts (operating leases)	391	941	59	1,391
Consulting contracts	303	228	0	531
Other	84	14	0	98
Total	**778**	**1,183**	**59**	**2,020**

Medium-term and long-term obligations from leasing contracts refer to future lease and deposit payments for the new office space in Los Angeles for Mynaric USA. When the premises are handed over, likely in the second half of 2020, these obligations will be recognized as a right of use from leasing agreement under IFRS 16.

In the current period, expenses from operating leasing agreements amounting to EUR 10 thousand (prior period: EUR 141 thousand) were recognized in other operating expenses. There are no purchase options.

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

EMPLOYEES

During the reporting period, the Mynaric Group employed an average of 130 people (prior period: 78), of whom 23 (prior period: 18) were employees of Mynaric AG, 92 (prior period: 52) were employees of Mynaric Lasercom GmbH, 11 (prior period: 0) were employees of Mynaric Systems GmbH and 3 (prior period: 6) were employees of Mynaric USA, Inc. Board members and subsidiaries' general managers are not included in the number of employees.

CORPORATE BODIES

The Company's board members are:
- Dr. Wolfram Peschko (Dr. rer. nat.), Board of Finance & Administration, Gauting (until 27 May 2020)
- Bulent Altan (Master of Science in Aerospace), Playa Vista, California USA (Chairman of the Management Board as of 27 May 2020)
- Hubertus Edler von Janecek (Dipl.-Ing.), Munich (until 10 July 2020)

The Company's Supervisory Board members are:
- Dr. Manfred Krischke, Chairman, CEO of Cloudeo AG
- Dr. Gerd Gruppe, Vice Chairman, Board of Aerospace Management at DLR (ret.)
- Dr. Thomas Billeter, Investor and Business Angel

Peter Müller-Brühl, COO of GreenCom Networks AG

Thomas Mayrhofer, attorney-at-law, partner at the law firm Pinsent Masons Germany LLP (until 12 June 2020)
- Thomas Hanke, (Dipl.-Kaufmann), independent corporate M & A consultant (as of 12 June 2020)

BOARD MEMBERS HOLDINGS

According to available information, the Company's board members have the following holdings:

	SHARES AS OF 6/30/2020	SHARES AS OF 12/31/2019	CHANGES BETWEEN 2019/2020
Peter Müller-Brühl	4,445	4,445	0

INFORMATION ON RELATED PERSONS AND AFFILIATED COMPANIES

In addition to the members of the Management Board and the Supervisory Board, affiliated persons in accordance with IAS 24 are Ariane Knapek. This individual is employed part-time at the Company as an employee and receives a salary in line with local and market conditions.

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

• MCConsult GbR, Gilching

Transactions with affiliated parties are concluded under normal market conditions. During the reporting period, expenses totaling EUR 135 thousand (prior period: EUR 115 thousand) were incurred from affiliated companies for services received.

REMUNERATION

As a matter of principle the Management Board remuneration generally comprises fixed and variable components. Total remuneration for the Management Board for the 2020 fiscal year totaled EUR 435 thousand (prior period: EUR 401 thousand), of which EUR 145 thousand (prior period: EUR 66 thousand) were variable remuneration components and EUR 290 thousand (prior period: EUR 335 thousand) were fixed remuneration components. In the reporting period, 20,000 share-based remuneration components were issued to the Management Board.
Total remuneration for the Supervisory Board for the 2020 reporting period was EUR 65 thousand (prior period: EUR 30 thousand), of which EUR 20 thousand (prior period: EUR 10 thousand) was paid to the chair, EUR 15 thousand to the vice chair (prior period: EUR 7.5 thousand) and EUR 10 thousand (prior period: EUR 5 thousand) to each additional Supervisory Board member as compensation. Variable remuneration components were waived.

AUDITOR'S FEES AND SERVICES

In the fiscal year, the Mynaric Group reported the following audit fee:
• Annual and consolidated audit services: EUR 54 thousand (prior period: EUR 27 thousand).

EVENTS AFTER THE BALANCE SHEET DATE

Effective 10 July 2020, Management Board member Hubertus von Janecek resigned from office.

In July 2020, Mynaric announced that it will terminate all business relationships in China effective immediately. This announcement is the consequence of a notice in the form of a targeted intervention by the Federal Ministry for Economic Affairs and Energy that bans the delivery of laser communications products to China.

Beginning of August 2020, the Management Board executed the authorization obtained by resolution of the shareholders' meeting on 12 June 2020 and the Company issued convertible bonds ("2020/II conditional capital") totaling EUR 5,000,000. The convertible bonds mature on 31 December 2020 and have a fixed conversion price per share of EUR 56.00. In case of complete conversion, the current share capital would be increased by approx. 3.1%.
Together with funds amounting to EUR 2.5 millions provided as a loan at the end of July 2020, Company obtained additional liquid funds of total EUR 7.5 millions.

The coronavirus pandemic has hit the economy faster, harder and, above all, more broadly than previous crises. Wide swaths of Germany's industry and service providers are experiencing heavy drops in business compared to the previous year even after most lockdown measures were lifted. How much more the economy will suffer under the coronavirus pandemic, how much the negative effects will ultimately be felt around the world and how a recovery can be restarted still cannot be said with certainty, seeing as how the world—an the USA in particular—is still in the middle of the pandemic. Nevertheless, new technological possibilities were accepted at a high rate as normal business processes had to be suspended. This can lead in the long term to a greater openness to innovation in the technology sector. Digitization, in particular, may see a sustained boost as a result of the pandemic. Over the long term, this can have positive effects on the macroeconomic environment. In this context, however, it will need to be taken into consideration that companies' acting in these fields need to have access to capital in order to finance the respective investments. Currently, the crisis is still generating uncertainty that is difficult to evaluate (see also IW Report 35/2020: Long-term Effects of the Coronavirus Pandemic—an Orientation" by Michael Grömling, 23 July 2020).

Of course, the financial effects and economic consequences for Mynaric AG and its subsidiaries still cannot be predicted with certainty, however they are currently considered to be rather manageable. To date, the coronavirus pandemic had not had a negative impact on our market. The need for global communication is greater than ever before, which is what is keeping our clients' business models intact. The same goes for the resulting demand for Mynaric products. For this reason, it continues to be all systems go for the long term, even if there may be delays with our suppliers. On a positive note, Mynaric was not forced to reduce working hours. Work has proceeded and will continue to proceed as normally as possible within the limits of what is advisable from a legal and health perspective.

Gilching, 7 August 2020
The Management Board

Bulent Altan

RESPONSIBILITY STATEMENT MYNARIC AG

We confirm that to the best of our knowledge the reporting in the consolidated financial statements of the Mynaric group for the period from January 1 through June 30, 2020 provides, in accordance with the applicable accounting principles, a true and fair view of the results of operations, financial position, and net assets and that the course of business including the business result and the situation of the company are presented in such a way as to convey a true and fair view and that the significant opportunities and risks of the expected development of the Group are described.

Gilching, 7 August 2020
The Management Board"

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