PART I.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. Directors and Senior Management

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

The following risks may have material adverse effects on our business, financial condition and results of operations. Additional risks and uncertainties of which we are not presently aware or that we currently deem immaterial could also materially affect our business operations and financial condition.

Risks Related to our Business

We are a development-stage company with limited operating history and a history of significant losses. We may never be able to execute our business strategy, generate revenue or reach profitability.

We are a development-stage company and are subject to all of the risks inherent in the establishment of a new business enterprise. We have a limited operating history and only a preliminary and unproven business plan upon which investors may evaluate our prospects. Although we have developed, produced and tested prototypes of our products and are currently finalizing our products for serial production, we cannot assure you that our products will perform as expected under daily operating conditions or that we will be able to detect and fix any potential weaknesses in our technology or products prior to commencing serial production. Even if our products become commercially viable, we may not generate sufficient revenue necessary to support our business.

We have a history of net losses and negative net cash used in operating activities since inception and we expect losses and negative net cash used in operating activities to continue for the foreseeable future. For 2021, 2020 and 2019, we incurred net losses of approximately €45.5 million, €19.8 million and €9.9 million, respectively. As of December 31, 2021, 2020 and 2019, we had an accumulated deficit of approximately €92.8 million, €47.3 million and €27.5, respectively. For the years ended December 31, 2021, 2020 and 2019, we had negative net cash used in operating activities of €39.4 million, €16.9 million and €8.3 million, respectively. We expect that we will incur additional significant expenses as we continue to conduct research, expand and refine our technology, and further develop our products. We will also incur significant expenses related to preparations for the commercialization of our products, increasing our sales and marketing activities with the goal of building our brand, and adding infrastructure and personnel to support our growth. We will not be able to cover our expenses with revenues at least until such time at which we begin material deliveries of our products and significantly increase the scale of our operations and, therefore, intend to use the proceeds from future financings, to cover our ongoing and future expenses. Furthermore, the audit report covering our December 31, 2021 consolidated financial statements contains an explanatory paragraph relating to our ability to continue as a going concern. While we believe that we will be successful in obtaining additional financing in a timely manner to fund our operational and financial obligations, there are material uncertainties that may cast significant doubt on our ability to continue as a going concern and, therefore, we may be unable to realize our assets and discharge its liabilities in the normal course of business.

Our business strategy is focused on growth and our decisions regarding capital expenditures and investments are made on this basis. Our projects and strategic decisions may fail to meet expectations and the anticipated return on investment from these projects may not be achieved. Our ability to generate revenue from our operations and, ultimately, achieve profitability will depend on, among other things, whether we can complete the development and commercialization of our technology, whether we can manufacture our products on a commercial scale in amounts and at costs consistent with our expectations, and whether we can achieve market acceptance of our products, services and business model. We may never operate on a profitable basis. If we are unable to reach profitability, we may need to reduce the scale of our operations, which may impact our business growth or adversely affect our financial condition and results of operations. Even if we reach profitability, we may not be able to sustain it.

Our success and future growth are dependent upon our potential customers' investments in the development of a market for wireless laser communication, in particular for aerospace communications networks.

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

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

Constellations in general, and the market for laser communication systems specifically, are still in early stages of development. To our knowledge, there is only one constellation operational at this time that partly utilizes laser communication for linking satellites. Other constellations utilizing laser communications are planned but not yet operationally deployed. The future implementation of constellations by potential customers remains subject to significant technological and financing risks. For example, many of the constellations currently being planned by potential customers envisage worldwide internet and network coverage. Establishing such extensive coverage through multiple laser communication units has not been tested in practice and could entail substantial technical difficulties. At the same time, the development of constellations with such coverage requires investment of billions of dollars, and accordingly depends on the ability to obtain related financing.

If laser communication remains a niche market, demand for our products would be significantly lower than we currently anticipate. Our approach of developing standardized products for a large number of customers could prove unsuccessful if certain customers demand widely varying product specifications and units in significantly lower quantities. This would require project-specific production instead of serial production, meaning that our anticipated economies of scale could fail to materialize. If this market does not develop as we anticipate, then we will not generate revenues as planned and may need to curtail our operations or seek financing earlier than anticipated.

Our potential customer base for the use of our products is limited.

Given the technological challenges and the high capital expenditures required for the development and deployment of our products, we believe that our potential customer base is limited. There is a small number of potential customers who represent potentially significant initial customers for the deployment of our laser communication equipment. Successful customer acquisition and retention of significant initial customers is therefore critical to generate follow-on business such as the implementation and maintenance of complementary products. As a result, our ability to sell laser communication products at scale is dependent on our ability to successfully acquire and retain significant initial customers by winning their business at an early stage.

Due to our limited potential customer base, we anticipate that sales to initial customers will be, individually, material to our future revenues, results of operations and cash flows. Accordingly, any change in the relationship

with any customer, the strength of any customer's business or their demand for our products could materially affect our results.

Any failure to acquire and retain customers and maintain relationships with key customers, as well as the loss of any potential customer, would have a highly adverse impact on our business, results of operations, financial position and prospects, and in particular on our revenue.

Orders included in our optical communications terminal backlog may not result in actual revenue and are an uncertain indicator of our future earnings.

Our optical communications terminal backlog grew significantly year-over-year from three terminal deliverables in backlog as of December 31, 2020 to 40 terminal deliverables as of December 31, 2021. Optical communications terminal backlog represents the quantity of all open optical communications terminal deliverables in the context of signed customer programs at the end of a reporting period. Optical communications terminals are defined as the individual devices responsible for pointing the laser beam and capable of establishing a singular optical link each. The optical communications terminal backlog particularly includes (i) optical communications terminal deliverables related to customer purchase orders; and (ii) optical communications terminal deliverables in the context of other signed agreements. Accordingly, backlog is calculated as the order backlog at the beginning of a reporting period plus the order intake within the reporting period minus terminal deliveries recognized as revenue within the reporting period and as adjusted for canceled orders, changes in scope and adjustments. If there are multiple options for deliveries under a particular purchase order or binding agreement, backlog only takes into account the most likely contract option based on management assessment and customer discussions. We believe that optical communications terminal backlog will continue to increase significantly in 2022 and have already achieved an increase of more than five times resulting in an optical communications terminal backlog of 211 terminal deliverables as of April 28, 2022.

Our optical communications terminal backlog is comprised of executed purchase orders from high rated leading customers in the defense industries, customers with which we have had long-standing relationships and governmental agencies. The disclosure of backlog aids in the analysis of the demand for our products, as well as our ability to meet that demand. However, because revenue will not be recognized until we have fulfilled our obligations to a customer, there may be a significant amount of time between executing a contract with a customer and delivery of the product to the customer and revenue recognition. During periods of economic slowdown, or decreases and/or instability in commodity prices, the risk of backlog orders being suspended, delayed or canceled generally increases. Delays, suspensions, cancelations, and scope changes could materially reduce or eliminate profits that we actually realize from orders in optical communications terminal backlog. Finally, poor contract performance could also result in cancelations and reduce or eliminate profits realized from orders in backlog. Such developments could have a material adverse effect on our business and our profits. In addition, our customers may order products from multiple sources to ensure timely delivery and may cancel or defer orders subject to penalties. Should any cancelations or modifications occur, our optical communications terminal backlog and anticipated revenue would be reduced unless we were able to replace the canceled order. As a result, optical communications terminal backlog is not necessarily indicative of our revenues to be recognized in a specified future period and we cannot assure that we will recognize revenue with respect to each order included in our backlog.

We deploy innovative technologies and solutions in our products, which may not be fully functional. The initial deployment of our products by customers could prove unsuccessful.

The functionality, usability and availability of our technology and products in daily use and at scale is unproven. We cannot assure you that our technology will perform as expected under daily operating conditions or that we will be able to detect and fix weaknesses or flaws in our technology or products prior to commencing serial production. Any of the technologies we intend to use or solutions we expect to offer may not be available or fully functional at the time of the first delivery of our products or at all, and this could have an adverse effect on our ability to grow our business.

If our customers are unsuccessful in the initial deployment of our products, this could be considered as indicative of future performance of our products and could significantly harm our reputation in the market. Potential difficulties in connection with meeting obligations under contracts with initial customers, such as delivery delays, technical performance or quality, could lead to loss of the affected customer and other existing or potential customers. In such cases, it is unlikely that we would succeed in compensating for the related losses

in revenues through new customers in the short to medium term. As a result, any failure in the initial deployment of our products by initial customers would have a highly adverse impact on our business, results of operations, financial position and prospects.

Positive market developments in the area of wireless laser communication could lead to increasingly intense competition and endanger our market positioning.

In September 2020, SpaceX announced its first successful test of its Starlink satellite "space lasers" in orbit. On September 13, 2021, SpaceX launched its first whole batch of 51 laser-equipped Starlink satellites with the goal to enable future Starlink satellites to transmit information to one another while in orbit using the optical "space lasers." Public announcements of successful test missions such as these have drawn significant public attention to the laser communication market. While we believe that there are currently only a few enterprises offering a viable solution for laser communication, we are subject to significant and intensifying competition within the satellite industry and from other providers of communication capacity, including large multinational enterprises. To compete successfully and to be able to establish and maintain a competitive position in current and future technologies, we will need to demonstrate the advantages of our technology over both new and well-established alternative solutions for communication networks. If our technology is not, or our future products or services are not, competitive, our business would be harmed.

Many of our current and potential competitors are larger and have substantially greater resources than we have and expect to have in the future. They may also be able to devote greater resources to the development of their current and future technologies and the promotion of their offerings, and they may be able to offer lower prices in order to establish or gain market share. In addition, certain companies that are potential customers (such as SpaceX or Amazon) may develop or advance their in-house laser communication capabilities and as a result compete with us or not require laser communication equipment from third parties, such as us. Competitors may also establish cooperative or strategic relationships amongst themselves or with third parties that may further enhance their resources and offerings or may lobby potential governmental customers against us. Furthermore, it is possible that German or foreign companies or governments, some with greater experience in the aerospace industry or greater financial resources, may seek to provide products or services that compete directly or indirectly with ours. Any such foreign competitor, for example, could benefit from subsidies from, or other protective measures implemented by, its home country.

In the aerospace sector, our competitors include TESAT Spacecom (an Airbus subsidiary), Thales Alenia Space, SA Photonics (a CACI subsidiary), Ball Aerospace General Atomics and Space Micro, as well as a handful of other entities that possess the necessary technical know-how and resources to compete with us. Furthermore, large information technology enterprises such as Cisco, Huawei, Commscope, Infinera and Corning already have experience in wired laser communication for ground-based fiber networks and may potentially enter the market. In addition, aviation enterprises such as Boeing and large military equipment suppliers may enter the market. For example, Raytheon and Hensoldt are both actively promoting laser communication capabilities even though no public information is available regarding the maturity of their systems. These companies may employ aggressive strategies like subsidy-enabled dumping and lobbying of customers, partners, investors and the media in an attempt to force us out of the market (*e.g.*, by delaying the deployment of our products in certain geographical areas). As the market expands, we expect the entry of additional competitors who may have longer operating histories, more extensive international operations, greater name recognition and/or substantially greater technical, marketing and financial resources.

Due to the significant increase in both government and commercial space activities in recent years, in particular the number of constellations that are expected to be deployed, industry experts are increasingly concerned that there is a potential for low Earth orbit (LEO) to become overcrowded and polluted with both active satellites and space debris such that future space endeavors could be more difficult, if not impossible. Outer space remains largely unregulated and there is little to no consensus on standards for space situational awareness, space traffic management, space debris mitigation or space sustainability. A new treaty-like mechanism will be difficult to achieve given the lack of political will and the inability to develop consensus among major governmental space powers. Equally challenging are definitional issues and the dual-use nature of outer space, which makes it difficult to frame appropriate rules. Without coherent international actions to address the risk of debris, it falls on private space companies to adopt responsible satellite design and operational practices to ensure a sustainable space environment. If the risk of increasing satellite collisions materializes, there could be a limit on the number of constellations than can actually be deployed, which would in turn significantly increase competition.

Our business is also subject to competition from ground-based forms of communications technology. A number of companies are increasing their ability to transmit signals on existing terrestrial infrastructures, such as fiber optic cable and terrestrial wireless transmitters, often with funding and other incentives provided by governments. The ability of terrestrial companies to significantly increase the capacity, capability and/or the reach of their conventional or other competing networks or significantly lower prices for such networks could result in a decrease in the demand for laser-enabled aerospace communications networks and consequently for laser communication products, thereby having a material adverse impact on our earnings and business prospects.

In addition, new technologies could render laser communication-based services less competitive by satisfying connectivity demand in other ways. If competition intensifies, the resulting increase in supply could cause prices to fall, narrowing our margins. Heightened competition in the laser communication market could have a material adverse impact on our business, results of operations, financial position and prospects, particularly regarding costs.

Our business is affected by the implementation of industry standards guaranteeing interoperability between laser communication products of different vendors, which could be unsuccessful.

We believe that the establishment of a large-scale market for laser communication depends on the successful development and implementation industry standards guaranteeing interoperability between laser communication products of different vendors. As of today, the optical communications terminal standard issued by the U.S. Space Development Agency (“SDA”) is the leading industrial standard adapted by multiple companies involved in U.S. government programs. Even though we and others successfully conducted demonstrations of the implementation of the SDA standard in various test scenarios, we cannot assure you that efforts to ensure cross-vendor interoperability will ultimately be successful.

Furthermore, commercial constellations of sufficient size and scale may decide to create and implement their own standard to optimize their network. As a consequence, multiple competing industry standards may emerge in parallel, which would cause a fragmentation of the market, potentially hindering sustained growth of the laser communication market. The U.S. Defense Advanced Research Projects Agency’s (“DARPA”) Space Based Adaptive Communications Node (“Space-BACN”) program aims to establish a flexible optical communications terminal that can adapt to multiple future industry standards, and in December 2021 we were selected to contribute to phase 0 of the program. We cannot, however, assure you that efforts to ensure a terminal agnostic to a large variety of industry standards will ultimately be successful.

If a potential customer decides to purchase laser communication products from one of our competitors, our products currently can only be sold to that customer with significant operational and technical outlays or only if the competitor’s product is compliant to interoperability standards. Any failure to implement interoperability with products of other laser communication vendors could have an adverse effect on our business, results of operations, financial position and prospects.

Our sales cycle can be long and sophisticated as well as requiring considerable time and expense.

The timing of our sales is difficult to predict because of the length of our sales cycle, particularly with respect to sales of our products in the government market.

The typical sales cycle for our products in the government market includes a pre-sale process to define a potential customer’s needs and budget. Certain customers may choose, or be required, to conduct a request for information (“RfI”) or request for proposal (“RfP”) process, requiring us to openly bid for the project. In our response to these RfIs and RfPs, we offer potential customers specific commercial solutions covering detailed technical and commercial explanations as well as details on production capacities and ramp-up strategies. Proposals are evaluated based on various criteria, including technical requirements, reliability, associated risk and successful track-record of the manufacturer, and price. If we are selected, we enter into negotiations and, if successful, ultimately receive a purchase order from the customer. Many purchase orders allow for or require phased delivery of products over several months or years, with payments being made following order placement, achievement of other milestones and product delivery. The sales cycle for our products from initial contact with a potential customer in the government market varies widely, ranging from a few months to well over a year. The sales process for our products for commercial applications depends on the individual customer and the size and structure of a project. Our sales team often engages in detailed discussions with potential customers to define the customer’s needs and budget. Following these discussions, we sometimes either sign a memorandum of understanding (“MoU”) or a term sheet or directly negotiate long-form agreements but even then there is no

guarantee that we will enter into final agreements. Accordingly, relationships and anticipated opportunities some of which we may invest considerable time in to win might not continue or be extended and may terminate entirely. From time to time, in particular with respect to large, established customers, we may also be required to participate in commercial RfI or RfP processes. As with sales in the government market, the entire commercial sales process may take from a few months to over a year.

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

We have entered into and may in the future enter into strategic partnership agreements with key customers, which may include exclusivity arrangements and provisions that allow either party to terminate the relationship under certain specified circumstances. For example, on October 31, 2021, we entered into a strategic agreement (the "Strategic Agreement") with Northrop Grumman ("NG") pursuant to which we will serve as a strategic supplier to NG and will exclusively develop and sell to NG jointly developed laser communication solutions for use in or relating to space where the ultimate customer is a U.S. government customer. We have agreed to exclusively develop and sell such jointly developed and customized products for this specific market segment to NG. We may also collaborate on the development of laser communications for aerospace and defense applications outside the space sector. In return, NG has agreed to provide us with an annual minimum awards opportunity to sell and provide to NG our jointly developed products or our off-the-shelf products and/or related services. However, there is no guarantee that NG will in fact present us with such opportunities in the anticipated annual amount. Even if they do, there is no guarantee that NG will be awarded the contracts. Furthermore, during the term of the agreement, we will not be able to develop and sell customized products to any third party in the space sector where the ultimate customer is a U.S. government customer. In addition, we entered into MoUs with Cloud Constellation, a constellation builder, and JR Aerospace, an Indian investment and technology company, in 2021. While we are in the process of negotiating definitive agreements with both companies, there is no guarantee that we will enter into final agreements. Accordingly, these relationships might not continue or be extended and may terminate entirely. If our sales cycle lengthens or our substantial upfront sales and implementation investments do not result in sufficient sales to justify our investments, our revenue could be lower than expected and it could have a material adverse effect on our business, financial condition, or results of operations.

We have limited experience with order processing and are subject to internal order processing risks that could materially impact our ability to process orders.

We develop, manufacture and assemble our laser communication products in-house. As part of our order processing management, we will need to implement adequate internal logistical and technical production processes to minimize project-based risks. Once a customer orders our products, we must deliver such products to the customer on a mutually agreed date. Since we have only limited experience with order processing, serial production and delivery logistics, there is a risk that unexpected or spontaneous demand for our products could lead to delays in our internal logistical and technical production processes as well as delays in delivery. This is especially true in the space domain, in which potential customers may demand a steep production increase of laser communication equipment for the rapid deployment of constellations in order to minimize the time during which the constellation is only partially deployed and therefore of limited use. Unanticipated developments with respect to component assembly, or inability to handle customer orders due to a lack of appropriate processes, structures or other factors, could materially impact our ability to process orders. Issues related to order processing could also damage our reputation and render the sourcing of future orders more difficult, thereby having an adverse effect on our business, results of operations, financial position and prospects.

We depend on third-party suppliers to provide us with components for our products, and any interruptions in supplies provided by these third-party suppliers, including due to the COVID-19 pandemic, may subject us to external procurement risks that negatively affect our business.

We depend on third-party suppliers to provide individual components such as optical components, special electronics and structural components for our products and we expect to continue to do so for future products. While some key components are manufactured to our specifications, many components are "off-the-shelf" and available commercially.

We typically do not maintain long-term supply contracts, but instead rely on informal arrangements and off-the-shelf purchases based on purchase orders. We do not carry a significant inventory of necessary components and our suppliers could discontinue the manufacture or supply of these components at any time. Establishing additional or replacement suppliers for any of these components, if required, or any supply interruption from our suppliers, could limit our ability to manufacture our products, result in production delays and increased costs and adversely affect our ability to deliver products to our customers on a timely basis, which could result in our failure to perform under customer contracts. If we are not able to identify alternate sources of supply for the components, we may need to modify our product to use substitute components, which could cause delays in shipments, increase design and manufacturing costs and increase prices for our products. Any such modified product might not be as effective as the predecessor product or might not gain market acceptance. This could lead to customer dissatisfaction, reputational harm and loss of customer orders, which would have an adverse effect on our business, results of operations, financial position and prospects. In addition, some of our current suppliers are specialty suppliers providing components that are only available from a handful of suppliers worldwide (or in some cases a sole supplier), which means that off-the-shelf components may not be viable substitutes. It is therefore not always possible to adhere to our "second source strategy" (pursuant to which we always seek to have at least two qualified suppliers for every component). If these specialty suppliers become unable to deliver the required components, procuring these components from another supplier may only be possible at significant additional cost, if at all. As a result, there is a risk that we cannot obtain the components needed for manufacturing our products on a timely basis or at an economically viable cost, and, thus, become unable to deliver our products, resulting in reputational harm and loss of existing and future business.

Any disruptions to our supply chain, significant increase in component costs, or shortages of critical components, could adversely affect our business and result in increased costs. Such a disruption could occur as a result of any number of events, including, but not limited to, an extended closure of or any slowdown at our supplier's plants or shipping delays due to efforts to limit the spread of COVID-19 or implementation of post-COVID-19 policies or practices, war and economic sanctions against third parties, including those arising from the ongoing war between Russia and Ukraine, market shortages due to surge in demand for any particular part or component, increases in prices or impact of inflation, the imposition of regulations, quotas or embargoes on components, labor stoppages, transportation delays or failures affecting the supply chain and shipment of materials and finished goods, third-party interference in the integrity of the parts and components sourced through the supply chain, the unavailability of raw materials, severe weather conditions, adverse effects of climate change, natural disasters, geopolitical developments, war or terrorism and disruptions in utilities, trade embargos and other services. Further, the currently prevalent global supply chain disruptions have had, and may continue to have, adverse impacts on our supply chain, particularly for our HAWK product, that result in lower production volumes for the current HAWK product version and earlier introduction of the subsequent product version than initially planned. The broader inflationary environment could put pressure on our unit costs in the future and increased upfront payments to our suppliers and earlier phasing of those payments may put pressure on our non-recurring costs in future periods. In addition, any future updates or modifications to the anticipated design of our products may increase the number of parts and components we would be required to source and increase the complexity of our supply chain management. Failure to effectively manage the supply of parts and components could materially and adversely affect our results of operations, financial condition and prospects.

In addition, it is possible that certain components are ultimately not qualified for use, or may not function as intended. The particularly long development cycles in our business and lengthy qualification of individual components render quick replacement of individual suppliers difficult. Insourcing of certain components may require lengthy preparations, license negotiations or significant capital expenditures, or may not be possible at all.

If we are unable to keep up with demand for our products by obtaining the components needed to successfully manufacture and deliver our products in a timely manner, our business could be impaired, and market acceptance for our products could be adversely affected.

Defects or performance problems in our products could result in loss of customers, reputational damage, lawsuits and decreased revenue, and we may face warranty, indemnity and product liability claims arising from defective products.

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

Any actual or perceived errors, defects or poor performance in our products could result in the replacement or rejection of our products, damage to our reputation, lost revenue, diversion of our engineering personnel from our product development efforts or increases in customer service and support costs. Furthermore, our customers may suffer consequential damages significantly exceeding the value of the products we sell to them if our products are defective or fail to meet their quality requirements. Defective components may give rise to warranty, indemnity or product liability claims against us that could significantly exceed any revenue or profit we receive from such products. Moreover, our insurance coverage may be inadequate to cover our liabilities related to such claims and we may not be able to maintain adequate insurance in the future at rates we consider reasonable and commercially justifiable, and insurance may not continue to be available on the same terms as our current arrangements. The occurrence of a significant uninsured claim, or a claim in excess of the insurance coverage limits maintained by us, could harm our business, financial condition and results of operations.

If one of our products causes bodily injury or property damage, including as a result of product malfunctions, defects or improper installation, then we could be exposed to product liability claims. We could incur significant costs and liabilities if we are sued and if damages are awarded against us. Further, any product liability claim we face could be expensive to defend and could divert management's attention.

We may be unable to manage our future growth effectively, which could make it difficult to execute our business strategy.

If our operations continue to grow as planned, we will need to expand our sales and marketing, research and development, customer and commercial strategy, products and services, supply and manufacturing as well as accounting and administrative functions. We will also need to continue to leverage our manufacturing and operational systems and processes, and we cannot assure you that we will be able to scale the business and the manufacture of products as currently planned or within the envisaged timeframe. The continued expansion of our business may also require additional manufacturing and operational facilities, as well as space for administrative support, and we cannot assure you that we will be able to find suitable locations for the manufacture of our products.

Our continued growth could increase the strain on our resources, and we could experience operating difficulties, including difficulties in hiring and training employees, finding manufacturing capacity to produce our products, and delays in production. We may have to invest significant additional resources and focus our attention on adapting our internal organization, function and processes which may cause distraction from our operations and negatively affect our business.

We may not be able to obtain sufficient financing for the operations and ongoing growth of our business.

The implementation of our business strategy requires significant capital outlays. The nature of our business also requires us to make capital expenditure decisions in anticipation of customer demand. We have, since our inception, financed our business operations, and expect to continue to finance our business operations. While we primarily seek to finance our business by raising equity capital, we entered into a credit agreement with three lenders for a credit line of €25 million on May 2, 2022 (see also "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Credit Agreement 2022"). We anticipate that our future cash requirements will continue to be significant and that we will need to obtain additional financing to implement our business plan. The availability and cost of external financing depend on a number of factors, including our financial performance, general market conditions and, in the case of any debt financing, our credit rating. This financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business.

Our ability to raise equity financing largely depends on our ability to convince investors to fund our operations and growth, especially considering that we have not generated meaningful revenues to date and our

market valuation is mostly based on our potential future financial performance rather than past or current financial performance. Our ability to raise financing will depend on the growth of the laser communication market, as well as our success in securing market share and implementing our business model. It is also dependent on our ability to position ourselves favorably to investors from different regions, with different investment focus and investment limitations. This is particularly relevant as our involvement in the government defense sector may make us unattractive to investors with certain environmental, social and corporate governance (ESG) requirements. Furthermore, our ability to raise equity financing depends on the general interest of investors in the aerospace sector and the sentiment of the financial markets at large, both of which are beyond our control.

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

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

We are highly dependent on our senior management team and other highly qualified personnel, and if we are not successful in attracting or retaining highly qualified personnel, we may not be able to successfully implement our business strategy.

Our success depends, in significant part, on the continued services of our senior management team and on our ability to attract, motivate, develop and retain a sufficient number of other highly qualified engineering, design, manufacturing and quality assurance, finance, marketing, sales and support personnel. Certain members of our senior management team have extensive experience in the aerospace industry, and we believe that their depth of experience is instrumental to our continued success. The loss of any one or more members of our senior management team, for any reason, including resignation or retirement, could adversely affect our business and competitiveness.

Competition for qualified employees is intense, and our ability to hire, attract and retain such employees depends, among other things, on our ability to provide competitive compensation. In addition, there is only a small pool of potential replacement employees with adequate competencies and knowledge. Any inability to hire, attract, train and develop qualified employees may result in high employee turnover and may force us to pay significantly higher wages, which may harm our profitability. In addition, we may have to hire a significant additional number of employees in order to be able to finalize the development of our products and start serial production according to our currently envisaged timeline.

Our business and operations would suffer in the event of computer system failures, cyber-attacks or deficiencies in our cyber-security.

Our ability to execute our business strategy depends, in part, on the continued and uninterrupted performance of our IT systems, which support our operations. Despite the implementation of security measures, our internal computer systems, and those of third parties on which we rely, are vulnerable to damage from, among other things, computer viruses, malware, natural disasters, terrorism, war, telecommunication and electrical failures, cyber-attacks or cyber-intrusions over the internet, attachments to emails, persons inside our organization, or persons with access to systems inside our organization or similar disruptive problems. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. If such an event were to

occur and cause interruptions in our operations, it could result in a material disruption of our product development programs. Furthermore, foreign governments may target us given our involvement in government programs, including because we may be in possession of national security information and involved in the development of advanced technology systems. If we are unable to protect sensitive information, governmental authorities could question the adequacy of our security measures.

Our disaster recovery planning cannot account for all eventualities. Our business and operations could be adversely affected if, as a result of a significant cyber event or otherwise, our operations are disrupted or shut down, confidential or proprietary information of ours, our employees, our customers or other third parties such as suppliers is stolen, lost or disclosed, we lose customers, we incur costs or are required to pay fines in connection with confidential or export-controlled information that is disclosed, we must dedicate significant resources to system repairs or increase cyber security protection or we otherwise incur significant litigation or other costs as a result of any such event. Furthermore, negative publicity arising from these types of events could damage our reputation. While our insurance coverage could offset losses relating to some of these types of events, to the extent any such losses are not covered by insurance, a serious disruption to our systems could significantly limit our ability to manage and operate our business efficiently, which in turn could have a material adverse effect on our business, results of operations and financial condition. In addition, our products can be exposed to cyber-security risks, such as the risk of being breached or failure to detect, prevent or combat attacks, which could result in losses to our customers and claims against us. A cybersecurity breach could also hurt our reputation by adversely affecting our customers' perception of the security of their information.

We may not be able to obtain or agree on acceptable terms and conditions for all or a significant portion of the government grants, loans and other incentives for which we may apply, which may negatively affect our ability to reach funding goals.

We may apply for German and foreign federal and state grants, loans and tax incentives under various government programs designed to stimulate the economy of the relevant jurisdiction or to support the development of aerospace related technologies. We anticipate that there may be new opportunities for us to apply for grants, loans and other incentives from the German federal or state government(s), the European Union (also the "EU") or other governments or quasi-governmental organizations. Our ability to obtain funds or incentives from these sources is subject to the availability of funds under applicable programs and approval of our applications to participate in such programs. The application process for these funds and other incentives will likely be highly competitive. We cannot assure you that we will be successful in obtaining any of these grants, loans and other incentives. If we are not successful in obtaining any of these additional incentives and unable to find alternative sources of funding to meet our planned capital needs, our business and prospects could be materially adversely affected.

We are a supplier for government programs, which subjects us to risks including early termination, audits, investigations, sanctions and penalties.

Within the value chain for the government aerospace communication industry, we are a sub-system supplier for system primes such as aircraft and satellite manufacturers. We have entered into contracts as a sub-system supplier with counterparties that are prime contractors for the U.S. government who have development contracts directly with the U.S. government and may also do so with non-U.S. governments in the future. As a result, we are and may in the future be subject to statutes and regulations applicable to companies doing business with the relevant government. Government contracts may contain provisions that give the government substantial rights and remedies, many of which are not typically found in commercial contracts with private sector counterparts and which are unfavorable to the contractors. For example, most U.S. government agencies include provisions that allow the government to unilaterally terminate or modify contracts for convenience, and in that event, the counterparty to the contract may generally recover only its incurred or committed costs and settlement expenses and profit on work completed prior to the termination.

In addition, government contracts may contain additional requirements that may increase our costs of doing business, reduce our profits, and expose us to liability for failure to comply with these terms and conditions. These requirements include, for example:

- specialized disclosure and accounting requirements unique to government contracts;
- financial and compliance audits that may result in potential liability for price adjustments, recoupment of government funds after such funds have been spent, civil and criminal penalties, or administrative sanctions such as suspension or debarment from doing business with the U.S. government;

- public disclosures of certain contract and company information; and
- mandatory socioeconomic compliance requirements, including labor requirements, non-discrimination and affirmative action programs and environmental compliance requirements.

If we fail to comply with government contracting laws, regulations and contract requirements, our government contracts may be subject to termination, and we may become subject to financial and/or other liability under our contracts or criminal law. Any penalties, damages, fines, suspension, or damages could adversely affect our ability to operate our business and our financial results.

Our operations could be adversely affected as a result of disasters or unpredictable events.

Our operations could be disrupted, among others, by natural disasters such as earthquakes, fires or explosions, pandemics and epidemics, power outages, terrorist attacks, cyberattacks, war or other critical events. This also applies to the operations of our suppliers and other business partners. Some of existing or future our production sites may be in regions that could be affected by natural disasters such as flooding or earthquakes. Disruptions may also result from possible regulatory or legislative changes in the relevant jurisdictions of our, our suppliers' or our business partners' operations.

In February 2022, Russia invaded Ukraine across a broad front. In response to this aggression, governments around the world have imposed severe sanctions against Russia. These sanctions disrupted the manufacturing, delivery and overall supply chain of manufacturers and suppliers. We cannot yet foresee the full extent of the sanction's impact on our business and operations and such impact will depend on future developments of the war, which is highly uncertain and unpredictable. The war could have a material impact on our results of operations, liquidity, and capital management. We will continue to monitor the situation and the effect of this development on its liquidity and capital management. At the same time, we have taken actions to maintain operations and to secure our supply chain.

We are exposed to foreign currency exchange risk and our financial position and results of operations may be negatively affected by the fluctuation of different currencies.

We conduct business transactions in foreign currencies. Accordingly, exchange rate movements can have an adverse effect on our financial position and results of operations. Exposure to foreign currency exchange risk arises, for example, from purchases and sales transacted by one of our operating units in currencies other than the unit's functional currency. We operate primarily in Europe and the U.S. Some sales are thus transacted in foreign currency (U.S. dollars). U.S. dollar cash inflows are partially used to finance the Company's U.S. subsidiary. As of December 31, 2021, we had U.S. dollar receivables and cash at banks of $37,130 thousand.

Regulatory, Legal and Tax Risks

We are subject to regulatory risks, in particular related to evolving sanctions laws as well as governmental export controls, in a number of jurisdictions that could limit our customer base and result in higher compliance costs.

We are subject to regulatory risks, in particular related to complex and evolving export control and economic sanctions laws in certain of the markets in which we operate, including the United States and the European Union. Export control laws impose controls, export license requirements and restrictions on the export of certain products and technology. Any changes to our products or changes in export regulations may limit our ability to export our products and provide our services (such as product maintenance or installation services) in certain countries, or may require export authorizations, including by license, license exception or other appropriate government authorizations.

Export control and economic sanctions laws may include prohibitions on the sale or supply of certain products to embargoed or sanctioned countries and regions, governments, persons and entities. For example, while spaceborne laser communication terminals initially did not qualify as a dual use item under applicable German or EU regulations, in July 2020, the German government issued a so-called single intervention (*Einzeleingriff*) banning the shipment of spaceborne laser communication terminals to customers in China, which included the shipment of our laser communication products to a Chinese customer. As a result of this decision, we decided to withdraw from the Chinese market. Subsequently, the German legislature amended the national export list (*Ausfuhrliste*) and specifically categorized spaceborne laser communication terminals as a dual-use item, requiring prior governmental approval before exportation. However, due to the further enhancement of our

products, our CONDOR laser terminal now also qualifies as a dual-use item under the EU's Dual-Use Regulation (as defined under "Item 4. Information on the Company—Regulatory Environment—Export Control Regime"), which supersedes the national dual-use regulations of the EU member states. Although the export of our CONDOR laser communication terminals is covered by the EU's general export authorization (*EU-Allgemeingenehmigung*), we nevertheless will be required to obtain an (individual) export authorization if we export dual-use products to countries that are not covered by the EU's general export authorization. In a number of other jurisdictions relevant to our operations, laser communication has not yet been specifically categorized as dual-use goods. If laser communication products were categorized as dual-use goods in other jurisdictions, our ability to sell products to certain markets could be adversely affected or we may be required to obtain export licenses. If we fail to obtain such licenses, our business and operations could be adversely affected.

In addition, various countries regulate the importation of certain products, through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products. Since laser communication is a new technology, import regulations that govern the operation of terminals may be issued and change over time. As of today, we are required to obtain approval for imports to the United States (in the form of what is known as an accession number) under certain performance standards issued by the U.S. Food and Drug Administration, which we have obtained. In addition, while we are currently not subject to the regulation and license requirements of the U.S. Federal Aviation Administration (FAA) or the European Aviation Safety Agency (EASA), we may become subject to such regulations and license requirements in the future. Violations of applicable export control laws and related regulations could result in criminal or administrative penalties, including fines, denial of export privileges, and debarment, which could have a material adverse impact on our business, including our ability to enter into contracts or subcontracts with U.S. or other government customers.

Currently, our largest potential customer base is located in the United States and Canada. We believe that further potential markets may develop in certain Asian (except China) and Middle Eastern, as well as a number of European, countries. Our products could, therefore, become subject to international trade restrictions in these markets. For example, with respect to the United States, there is a risk that our products may become restricted under arms control provisions, such as the International Traffic in Arms Regulations ("ITAR"). To the best of our knowledge, none of the components we currently use in our products is subject to arms regulations and, thus, our products are not restricted under arms control provisions in the U.S., such as the ITAR. We have also implemented a strict non-ITAR procurement policy that requires us to procure components that are not subject to ITAR. However, we cannot assure you that in the future all required parts can be obtained under this strict policy. If our products become subject to the ITAR, we may experience lower customer demand for our products. To the extent that certain required parts can only be obtained in compliance with arms control regulations our products could also become subject to arms control regulations, which could have a significant negative effect on the marketability of our products. This would limit our potential customer base to a very limited number of potential customers who are able to import and purchase arms products in accordance with applicable regulations, which could have a material adverse effect on our commercialization plans.

Regulations related to conflict minerals may cause us to incur additional expenses and could limit the supply and increase the costs of certain metals used in the manufacturing of our products.

We may be required under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") to determine, disclose and report whether our products contain "conflict minerals" (tin, tungsten, tantalum and gold). Regulation (EU) 2017/821 of the European Parliament and of the Council of 17 May 2017, setting forth supply chain due diligence obligations for European Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas, contains similar obligations ("EU Conflict Minerals Regulation"). In addition, in June 2021, the German legislature passed the Supply Chain Act (*Lieferkettensorgfaltspflichtengesetz*), which will come into force on January 1, 2023. The Supply Chain Act imposes significant obligations on companies that source their products and services through supply chains from developing and emerging countries and sell them in Germany to comply with human rights and environmental standards, and exposes them to potentially serious liability in the event of violations.

Even though we do not import such minerals directly, the electronic components we use in our products may contain such minerals and, as a consequence, we may be required to comply with these requirements and procedures. The implementation of these requirements could adversely affect the sourcing, availability and pricing of the materials used in the manufacture of components used in our products. In addition, we may incur additional costs to comply with the disclosure requirements, including costs related to conducting diligence procedures to determine the sources of conflict minerals that may be used in or necessary to the production of our products and, if applicable, potential changes to products, processes, or sources of supply as a consequence of

such verification activities. We may also face reputational challenges if we determine that certain of our products contain minerals that are not determined to be conflict-free.

If we do not maintain required security clearances from, and comply with our security agreements with, the U.S. government, we may not be able to enter into future contracts with the U.S. government requiring such clearance.

To participate in certain U.S. government programs, we expect to seek and obtain security clearances from the U.S. Department of Defense (the "DoD"), including by establishing a U.S. entity cleared for access to classified information. For example, certain contracts with the U.S. government may require us to be issued facility security clearances under the National Industrial Security Program. The National Industrial Security Program requires that a corporation maintaining a facility security clearance be effectively insulated from foreign ownership, control or influence ("FOCI"). In anticipation of potential future U.S. government contracts, we have established a new U.S. subsidiary, Mynaric Government Solutions, Inc. and intend to commence the process of insulating the entity from FOCI. This process will include recruiting directors and employees dedicated to that entity and any U.S. governmental agency projects to be serviced by the entity. Failure to obtain and maintain a required FOCI mitigation agreement with the DoD and to comply with such agreement and applicable U.S. government industrial security regulations could result in invalidation or termination of the facility security clearances, which in turn would mean that we would not be able to enter into future contracts with the U.S. government requiring facility security clearances.

If we or our employees are unable to obtain or retain any necessary security clearances, we may not be able to win new business, bid on new contracts or effectively rebid on expiring contracts. As a result, our business could be materially adversely affected. Further, if we violate the terms of any special security agreement or if we are found to have materially violated U.S. law, we may be suspended or barred from participating in any government contracts, whether classified or unclassified, and we could be subject to civil or criminal penalties.

Our business is and could become subject to a wide variety of extensive and evolving government laws and regulations. Failure to comply with such laws and regulations could have a material adverse effect on our business.

We are subject to a wide variety of laws and regulations relating to various aspects of our business, including with respect to our technology and products, employment and labor, health care, tax, privacy and data security, health and safety, and environmental issues. Laws and regulations at the German and foreign, federal, state and local levels frequently change, especially in relation to new and emerging industries, and we cannot always reasonably predict the impact of, or the ultimate cost of compliance with, current or future regulatory or administrative changes. For example, the implementation of satellite internet via radio frequency generally requires a license, which will only allot a fraction of the available spectrum and requires a costly and time-consuming application process. Laser communication is currently not regulated by the International Telecommunication Union and can therefore be used without restrictions. However, we cannot assure you that comparable regulatory provisions applicable to laser communication will not be introduced. If laser communication becomes subject to extensive regulations, this could have a material adverse effect on our business and prospects.

Changes in law or the imposition of new or additional regulations that impact our business could negatively impact our performance in various ways, including by limiting our ability to collaborate with partners or customers or by increasing our costs and the time necessary to obtain required authorization. We monitor new developments and devote a significant amount of management's time and external resources to compliance with these laws and regulations. We cannot assure you, however, that we are and will remain in compliance with all such requirements and, even when we believe we are in compliance, a regulatory agency may determine that we are not. Failure by us, our employees, affiliates, partners or others with whom we work to comply with applicable laws and regulations could result in administrative, civil, commercial or criminal liabilities, including suspension or debarment from government contracts or suspension of our export/import privileges.

Positive market developments in the area of wireless laser communication could lead to increasingly intense political interest and influence impacting our business.

The reliable provision and expansion of critical infrastructure such as communication networks is at the core of national interests. Constellations (*i.e.*, communications networks consisting of a large volume of satellite or aircraft platforms) could, if successful, become a cornerstone of the communication landscape of the future and

we believe that laser communication technology will play a key role in these constellations. A positive development in the constellations and laser communication market could, therefore, lead to increasing political interest and influence impacting our business including, but not limited to, influence from the United States, which we consider our most important market.

Changes in laws, regulations, political leadership and environment, and/or security risks may dramatically affect our ability to conduct business in international markets, including sales to customers and purchases from suppliers. In particular, our operations may be impacted by German, U.S. or other national policies and priorities, political decisions and geopolitical relationships, any of which may be influenced by changes in the threat environment, political leadership, geopolitical uncertainties, world events, bilateral and multi-lateral relationships and economic and political factors. This is particularly relevant in light of the decision by the German government in July 2020 to ban the shipment of spaceborne laser communication terminals to customers in China, which included the shipment of our laser communication products to a Chinese customer, as a result of which we decided to exit the Chinese market. Due to the German government's export ban, we lost a potential major market for our products and, if we do not prevail in our lawsuit before the Administrative Court of Berlin challenging the export ban, we are at significant risk of not being adequately compensated for the loss of business or at all. See "Item 4. Information on the Company—B. Business—Legal Proceedings." We have only limited options for containing these risks and the occurrence and impact of any of these factors is difficult to predict, but one or more of them could have a material adverse effect on our financial position, results of operations and/or cash flows.

We may be unable to adequately protect our intellectual property and proprietary rights and prevent others from making unauthorized use of our products and technology.

Our success and competitiveness depends, in significant part, on our ability to protect our intellectual property rights, including our laser communication technology and certain other practices, tools, technologies and technical expertise we utilize in designing, developing, implementing and maintaining applications and processes used in our products. To date, we have relied exclusively on trade secrets and other intellectual property laws, non-disclosure agreements with our employees, consultants, vendors, customers and other relevant persons and other measures to protect our intellectual property, and intend to continue to rely on these and other means.

For strategic reasons, we do not protect our intellectual property by filing patent applications related to our technology, inventions and improvements. Even if we filed patent applications and patents were granted, we cannot assure you we would be fully protected against third parties as those patents may not be sufficiently broad in their coverage, may not be economically significant, or may not provide us with any competitive advantage. Competitors may be able to design around any patents and develop products that provide outcomes comparable or superior to ours. Furthermore, the filing of a patent would entail the disclosure of our know-how, and breaches of patent rights related to a wrongful use of this know-how would be difficult to enforce in the international landscape. We believe that our intellectual property strategy differs significantly from the strategies of others involved in the laser communication market, many of whom have extensive patent portfolios and rely heavily on intellectual property registrations to enforce their intellectual property rights. As a result of this discrepancy in strategy, we may be at a competitive disadvantage with respect to the strength of our intellectual property protection. Unlike others involved in the laser communication market, who generally have patents providing exclusive control over their innovations, we have no recourse against any entity that independently creates the same technology as ours or legitimately reverse-engineer our technology.

We generally enter into non-disclosure agreements with our employees, consultants and other parties with whom we have strategic relationships and business alliances. We have also entered into license agreements with various collaboration partners. We cannot, however, assure you that these agreements will be effective in controlling access to and distribution of our technology and proprietary information. Since we do not protect our intellectual property by filing patent applications, we rely on our personnel to protect our trade secrets, know-how and other proprietary information to a greater degree than we would if we had patent protection for our intellectual property. In jurisdictions in which our research and development is not protected by similar agreements, there is no protection against the manufacture and marketing of identical or comparable research and development by third parties, who are generally free to use, independently develop, and sell our developments and technologies without paying license or royalty fees. Furthermore, our former employees may perform work for our competitors and use our know-how in performing this work. As we scale our business to support serial production of our laser communication products for new customers by hiring personnel and entering into contracts with third parties, the risks associated with breaches of non-disclosure agreements, confidentiality

agreements and other agreements pertaining to our technology and proprietary information will increase, and such breaches could have an adverse effect on our business and competitive position.

We may come to believe that third parties are infringing on, or otherwise violating, our intellectual property or other proprietary rights. To prevent infringement or unauthorized use, we may need to file infringement and/or misappropriation suits, which are expensive and time-consuming, could result in meritorious counterclaims against us and would distract management's attention. In addition, in an infringement or misappropriation proceeding, a court may decide that one or more of our intellectual property rights is invalid, unenforceable, or both, in which case third parties may be able to use our technology without paying license fees or royalties. If we are unable to protect our intellectual property and proprietary rights, we may be unable to prevent competitors from using our own inventions and intellectual property to compete against us, and our business may be harmed.

We may be involved in legal proceedings based on the alleged violation of intellectual property rights, such as patent or trademark infringement claims, which may be time-consuming and incur substantial costs.

Our industry is characterized by competing intellectual property. We may, therefore, be subject to legal actions for violating intellectual property rights of others, including claims that competitors, collaborators or former employees have an interest in our trade secrets or other intellectual property, and as a result could be subject to significant litigation or licensing costs or face obstacles to selling our products.

As the number of competitors in the market for laser communication grows, the possibility of infringement claims against us increases. Established market players may invest significant resources and capital to protect their intellectual property and scan the market for potential violations, and in many cases our competitors have well-developed patent and intellectual property rights strategies in place. There is generally a heightened risk that inquiries or legal proceedings based on the alleged violation of intellectual property rights are initiated by competitors that develop and test technologies similar to ours, particularly because our competitors may easily determine that we lack the ability to make counter-assertions because of our intellectual property strategy. Some of our competitors may be able to sustain the costs of complex intellectual property litigation more effectively than we can, particularly if they have substantially greater resources. Defending against such litigation is costly and time consuming due to the complexity of our technology and the uncertainty of intellectual property litigation, and would distract our management from our business. Without the protection afforded by patents, the costs we incur defending against such litigation may be greater than the costs incurred by our competitors who have received patent protection for their technologies. Furthermore, we may be required to incur greater costs than our competitors who have received patent protection for their technologies, as we lack the ability to offer cross-licensing arrangements for patents of our own. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

In the event that we become subject to a patent infringement or other intellectual property lawsuit and if the relevant patents or other intellectual property were upheld as valid and enforceable and we were found to infringe or violate those rights or the terms of a license to which we are a party, we could be prevented from selling any infringing products of ours unless we could obtain a license or were able to redesign the product to avoid infringement. If we are unable to obtain a license or successfully redesign, we might be prevented from selling our technology or products. If we are able to redesign, we may need to invest substantial resources in the redesign process. If there is an allegation or determination that we have infringed the intellectual property rights of a competitor or other person, we may be required to pay damages, a settlement or ongoing royalties, or we may be required to enter into cross-licenses with our competitors or we may be required to cease using certain technologies or abruptly change the focus of our development efforts so as to avoid infringing the rights of third parties. In any of these circumstances, we may be unable to sell our products at competitive prices or at all and our business, financial condition, results of operations, prospects and reputation could be harmed.

Furthermore, a licensor, collaborator, employee, consultant, adviser or other third party may dispute our or our licensor's ownership of certain intellectual property rights. We seek to address these concerns in our contractual agreements; however, we may not have contractual arrangements with the party in question or these provisions may not be effective. If these provisions prove to be ineffective or if we or our licensors fail in defending any such claims, we may have to pay monetary damages and may lose valuable intellectual property rights, such as ownership of, or right to use, intellectual property, which could adversely impact our business, financial condition and results of operations.

In addition, we may be required to indemnify our customers against claims relating to the infringement of intellectual property rights of third parties related to our products. Third parties may assert infringement claims

against our customers. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers, or may be required to obtain licenses for the products or services they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our products.

Due to the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during discovery. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments, which could have a material adverse effect on the price of the American Depositary Shares ("ADSs"). If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of the ADSs.

We have been and may become involved in litigation and administrative and regulatory proceedings, which require significant attention from our management and could result in significant expense to us and disruptions to our business.

We have been and may become involved in lawsuits and administrative and regulatory proceedings relating to our business, such as commercial contract claims, proceedings initiated by public authorities or other examinations and investigations. For example, in 2020 the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "BaFin") initiated an investigation against us on the grounds of the alleged omission of an ad hoc disclosure under the ad hoc disclosure obligation of Article 17 para. 1 of the European Market Abuse Regulation ("MAR"). On January 14, 2020, we had announced, by means of a press release published on our website, that we had entered into a new multi-million Euro contract with a space customer. BaFin argued that the conclusion of this contract would have fallen under the ad hoc disclosure obligation of Article 17 para. 1 MAR, and that the publication on our website did not satisfy this obligation. BaFin currently still upholds its view of an existing infringement of the ad hoc disclosure obligation. Should an administrative offence be found, the amount of any fine would depend on BaFin's determination of the severity of the offence. Our best estimate is that a minimum fine of €225,000 will be imposed. The maximum possible amount of such fine is the highest of (i) €2.5 million, (ii) 2% of our total revenue in the financial year preceding the year in which BaFin imposes a fine, and (iii) three times the amount of any commercial advantage we may have had as a result of the alleged omission of an ad hoc disclosure under the ad hoc disclosure obligation of Article 17 para. 1 MAR. In 2021, we received two additional notifications from the BaFin relating to the alleged delay of an ad hoc disclosure under the ad hoc disclosure obligation of Article 17 para. 1 MAR. See "Item 4. Information on the Company—B. Business Overview—Legal Proceedings."

Some of these proceedings may result in significant monetary damages or cause reputational harm. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any proceeding. An unfavorable outcome could materially adversely affect our business, financial condition and results of operations or limit our ability to engage in certain of our business activities. In addition, regardless of the outcome of any litigation, administrative or regulatory proceeding, such proceedings may be expensive, time-consuming, disruptive to normal business operations and require significant attention from our management.

We may be subject to claims that our employees, consultants or advisers have wrongfully used or disclosed alleged trade secrets of their former employers.

Some of our employees, consultants and advisers, including our senior management, were previously employed at other companies that are engaged in the development or production of laser communication technology or products. Some of these employees, consultants and advisers, including members of our senior management, may have executed proprietary rights, nondisclosure and/or non-competition agreements in connection with their previous employment. Although we try to ensure that these individuals do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such former employer. We are not aware of any such disclosures, or threatened or pending claims related to these matters, but in the future, litigation may be necessary to defend against such claims. If we fail in defending any such claims, we may lose valuable intellectual property rights or personnel, in addition to possibly paying monetary damages or being enjoined from conducting our business as contemplated. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

Our risk management and internal control procedures may not prevent or detect violations of law.

Our business may or will be subject to various laws and regulations relating to, among other things, bribery and corruption, money laundering, antitrust and data protection, as well as export control regulations, trade and economic sanctions and embargoes on certain countries, persons, groups and/or entities, projects and/or activities. Our existing risk management and compliance processes and controls may not be sufficient to effectively prevent or detect inadequate practices, fraud and violations of law or group-wide policies by our subsidiaries, intermediaries, sales agents, employees, directors and officers. As a result, we may be exposed to legal sanctions, penalties and loss of orders as well as material harm to our reputation.

While we have procedures in place designed to ensure compliance with sanctions and other trade controls, and while we monitor our product developments closely regarding any further regulatory implications, we cannot assure you that our sanctions compliance procedures and trade controls policies will effectively prevent us from violating such laws and regulations. Unanticipated developments such as Germany's decision to categorize our spaceborne laser communication terminals as dual-use goods (*i.e.*, products that may have both civil and military applications) may require us to obtain new governmental approvals or licenses, which we have not anticipated, for the export of our products to countries which are not covered by the EU's general export authorization. In addition, we cannot assure you that our compliance processes will be efficiently implemented in the future or that our subsidiaries, intermediaries, sales agents, employees, directors and officers will effectively follow these processes.

Our failure to maintain adequate internal controls, including in relation to the handling of conflicts of interest, the prevention of bribery, corruption, violations of sanctions and other trade control laws and regulations, and the handling of confidential information and information technology security, as the applicable standards regulating such internal control requirements are modified or amended from time to time, could result in violations of applicable laws, rules or regulations and adversely affect our business, financial condition and results of operations, and in particular on costs.

We may become a passive foreign investment company ("PFIC"), which could result in adverse United States federal income tax consequences to United States investors.

Based on the projected composition of our income and valuation of our assets, including goodwill, we do not expect to be a PFIC for our current taxable year or in the future, although there can be no assurance in this regard. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Specifically, we will be classified as a PFIC for United States federal income tax purposes if either: (1) 75% or more of our gross income in a taxable year is passive income, or (2) the average percentage of our assets by value in a taxable year which produce or are held for the production of passive income (which includes cash) is at least 50%. Although we do not expect to become a PFIC, our PFIC status is a factual determination that is made annually and thus may be subject to change. It is therefore possible that we could become a PFIC in a future taxable year. In addition, our current position that we are not a PFIC is based in part upon the value of our goodwill which is based on the market value of the ADSs and ordinary shares. Accordingly, we could become a PFIC in the future if there is a substantial decline in the value of the ADSs and ordinary shares. If we are or were to become a PFIC, such characterization could result in adverse United States federal income tax consequences and burdensome reporting requirements to a holder of ADSs if such holder is a United States investor.

We may become exposed to unforeseen tax consequences as a result of operating across borders and in multiple jurisdictions.

The more markets in which we operate, the greater our exposure to unforeseen tax consequences. Any expansion internationally would increase the tax risks we face associated with international operations, including expanded compliance with potentially conflicting and changing laws of taxing jurisdictions where we do business, the complexity and adverse consequences of such tax laws, and potentially adverse tax consequences due to changes in such tax laws.

Risks Related to the ADSs

The market price of the ADSs has fluctuated significantly in the past and may continue to do so in the future and any such fluctuations could result in substantial losses for holders of the ADSs.

The market price of the ADSs is affected by the supply and demand for the ADSs, which may be influenced by numerous factors, many of which are beyond our control, including:

- fluctuation in actual or projected results of operations;
- changes in projected earnings or failure to meet securities analysts' earnings expectations;
- the absence of analyst coverage;
- negative analyst recommendations;
- changes in trading volumes in the ADSs (including by the sale of shares or ADSs granted to our employees under employee participation programs);
- large-volume or targeted transactions by short-sellers;
- changes in our shareholder structure;
- changes in macroeconomic conditions;
- the activities of competitors and sellers;
- changes in the market valuations of comparable companies;
- our ability to successfully finalize development of, market and commercialize our products;
- the recruitment or departure of key management or scientific personnel or other key employees;
- significant lawsuits, including patent, shareholder or customer litigation;
- changes in investor and analyst perception with respect to our business or the industry in general; and
- changes in the statutory framework applicable to our business.

As a result, the market price of the ADSs may be subject to substantial fluctuation.

In addition, general market conditions and fluctuation of share prices and trading volumes could lead to pressure on the market price of the ADSs, even if there may not be a reason for this based on our business performance or earnings outlook. The stock market in general and the market for smaller technology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. In addition, prices for companies with a limited operating history may be more volatile compared to share prices for established companies or companies from other industries.

If the market price of the ADSs declines as a result of the realization of any of these risks, investors could lose part or all of their investment in the ADSs.

Additionally, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the shares. If any of our shareholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

The acquisition of a 20% or more voting interest in us by foreign investors requires governmental approval, which may restrict certain investments in and limit demand for the ADSs.

Pursuant to the cross-sectoral examination in Section 55 et seq. of the German Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*, "AWV"), the German Federal Ministry for Economic Affairs and Energy (*Bundesministerium für Wirtschaft und Energie*, "BMWi") may prohibit or restrict the acquisition of our shares or ADSs by a foreign acquirer (*i.e.*, an investor that is resident or based outside the European Union (*Unionsfremder*)) if it endangers the public order or the security of Germany. According to an amendment to the AWV, which came into force on May 1, 2021, statutory notification requirements apply, *inter alia*, to any acquisition by a foreign acquirer of 20% or more of the voting rights of a company that develops or manufactures, among other things, goods intended for use in space or for use in space infrastructure systems as

well as goods specifically required for the operation of laser communication networks, including the Company. If grounds for an objection exist, the BMWi may prohibit the direct acquirer of the ADSs from making such an acquisition within two months of the receipt of the approval request in writing or issue instructions in order to ensure the public order or security in Germany. See “Item 4. Information on the Company—B. Business Overview—Regulatory Environment—German Foreign Investment Regime.” As a result, any such requirement to obtain governmental approval or the issuance of an objection by the BMWi may restrict certain investments in the ADSs, limit demand for the ADSs, and have negative impact on the stock exchange price of the ADSs.

We have identified material weaknesses in our internal control over financial reporting. If we are unable to successfully remediate these material weaknesses and to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. Section 404 of the Sarbanes-Oxley Act requires management of public companies to develop and implement internal control over financial reporting and to evaluate the effectiveness thereof.

In connection with the preparation of our consolidated financial statements as of and for the fiscal year ended December 31, 2021, we identified material weaknesses in our internal control over financial reporting. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Two of the material weaknesses that were identified already existed at the time of our initial public offering in the U.S and continue to exist up until the date of this Annual Report. These material weaknesses relate to (i) a lack of sufficient resources with an appropriate level of technical accounting and SEC reporting experience and clearly defined roles within our finance and accounting functions, and (ii) a lack of design and operating effectiveness of information technology general controls for information systems that are relevant to the preparation of our consolidated financial statements. In addition, we identified two additional material weaknesses that relate to (i) a lack of effective communication and information flows which allows the accounting department to be aware of details of relevant material transactions/ agreements, and (ii) a lack of design and operating effectiveness of controls in accounting process which can prevent material misstatements in a timely manner.

While we have developed a remediation plan to address these material weaknesses, this remediation plan or any additional plan we plan to implement may be insufficient to address our material weaknesses and additional material weaknesses may be discovered in the future. As part of this plan, we (i) completed the implementation of an enterprise resource planning (“ERP”) system from SAP AG for our German group companies and in early 2022 for Mynaric USA Inc. with corresponding documentation, including an approval process based on the double-signature rule (“four eyes principle” in Germany) and (ii) have hired and continue to hire additional staff accountants and controller with a view to significantly expanding the finance department (iii) established weekly meetings with the sales team to ensure effective communication and information flows regarding all commercial aspects of key customer contracts, (iv) acquired a contract management tool for structured contract management which is currently being implemented. In addition, we are in the process of updating our sales process with a view to involving all relevant departments at an early stage of negotiations with a potential customer. Moreover, it is planned to further expand the internal control system in order to better monitor the effectiveness of all processes. It is also planned to create a dedicated position for this purpose. In the interim, we will continue to engage third parties as required to assist with technical accounting and tax matters. While we are working to remediate the weaknesses as quickly and efficiently as possible, we cannot at this time provide an estimate of the timeframe for implementing our plan to remediate these material weaknesses. These remediation measures may be time consuming and costly, and might place significant demands on our financial and operational resources. As we continue with the remediation of our material weaknesses, we may determine that additional or other measures may be necessary to address and remediate the material weaknesses, depending on the circumstances and our needs. We will not be able to fully remediate these material weaknesses until these steps have been completed and have been operating effectively.

While we are required to disclose material changes in internal control over financial reporting on an annual basis, we are not required to make our annual assessment of our internal control over financial reporting pursuant to Section 404 until the year of our second annual report required to be filed with the SEC. Furthermore, our independent registered public accounting firm was not required to attest to the effectiveness of our internal

control over financial reporting and will not be so required for as long as we are an "emerging growth company" under the JOBS Act. We could be an "emerging growth company" until December 31, 2026 (the last day of our fiscal year following the fifth anniversary of our initial public offering in November 2021). The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. Our management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that are applicable to us as a U.S. public company and an assessment of the effectiveness of our internal control over financial reporting by an independent registered public accounting firm in accordance with the provisions of Section 404 could detect additional significant deficiencies or material weaknesses that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements, require us to incur the expense of remediation and investors may lose confidence in the accuracy and completeness of our financial reports which could cause the market price of our ordinary shares to decline and also restrict our future access to the capital markets. We could be also subject to sanctions or investigations by The Nasdaq Stock Market LLC ("Nasdaq"), the SEC or other regulatory authorities.

Future offerings of debt or equity securities by us could adversely affect the market price of the ADSs, and future issuances of equity securities could lead to a substantial dilution of our shareholders.

We will require additional capital in the future to finance our business operations and growth. We may seek to raise such capital through the issuance of additional equity or debt securities with conversion rights (*e.g.*, convertible bonds and option rights). An issuance of additional equity or debt securities with conversion rights could potentially reduce the market price of the ADSs. We currently cannot predict the amounts and terms of such future offerings.

If offerings of equity or debt securities with conversion rights are made without granting preemptive rights to our existing shareholders, these offerings will dilute the economic and voting rights of our existing shareholders. Preemptive rights may be restricted or excluded by a resolution of our shareholders' meeting or by another corporate body designated by our shareholders' meeting. Our management board is authorized until May 13, 2026 to issue shares or grant rights to subscribe for shares up to our authorized share capital from time to time and to limit or exclude preemptive rights in connection therewith. This could cause existing shareholders to experience substantial dilution of their interest in us.

In addition, dilution may arise from the acquisition or investment by us in companies in exchange, fully or in part, for newly issued ADSs or shares, share options or conversion rights granted to our business partners or our customers as well as from the exercise of share options or conversion rights granted to our employees in the context of existing or future share option programs or the issuance of ADSs or shares to employees in the context of existing or future employee participation programs. Any future issuance of ADSs or shares could reduce the market price of the ADSs and dilute the holdings of existing shareholders.

Future sales by major shareholders, or the perception of future sales, could materially adversely affect the market price of the ADSs.

For various reasons, shareholders may sell all or some of their shares or ADSs, including in order to diversify their investments, subject to certain restrictions described below. Certain of our existing shareholders hold a substantial number of our shares, and may acquire a substantial number of the ADSs in the future. In addition, we may explore a delisting of our ordinary shares from the Frankfurt Stock Exchange in the medium term taking into consideration future trading volumes, administrative costs and other factors. In case of a delisting of our ordinary shares from the Frankfurt Stock Exchange, our shareholders may seek to sell their ordinary shares on the Frankfurt Stock Exchange or deposit their ordinary shares with the depositary or the custodian for the depositary in exchange for ADSs. Sales of a substantial number of our shares or ADSs in the public market, or the perception that such sales or issuances might occur, could depress the market price of the ADSs and could impair our ability to raise capital through the sale of additional equity securities.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for the ADSs and trading volume could decline.

The trading market for the ADSs will depend in part on the research and other reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our shares or ADSs or publishes inaccurate or unfavorable research about our business, the trading price of the ADSs

may decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for the ADSs could decrease, which might cause the ADS price and trading volume to decline.

We do not expect to pay any dividends in the foreseeable future.

We have not yet paid any dividends to our shareholders and do not currently intend to pay dividends for the foreseeable future. Under German law, dividends may only be distributed from our distributable profit (*Bilanzgewinn*) or distributable reserves reflected in our unconsolidated financial statements (as opposed to the consolidated financial statements for us and our subsidiaries) prepared in accordance with German generally accepted accounting principles of the German Commercial Code (*Handelsgesetzbuch*). Such accounting principles differ from IFRS as issued by the IASB in material respects.

Our ability to pay dividends therefore depends upon the availability of sufficient net retained profits. In addition, future financing arrangements may contain covenants that impose restrictions on our ability to pay dividends. Any determination to pay dividends in the future will be at the discretion of our management board and will depend upon our results of operations, financial condition, contractual restrictions, including restrictions imposed by existing or future financing agreements, restrictions imposed by applicable laws and other factors management deems relevant.

Consequently, we do not expect to pay dividends in the foreseeable future, and as a result any return on an investment in the ADSs will be solely dependent upon the appreciation of the trading price of the ADSs, which may not occur. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividends.”

Holders of the ADSs may be subject to limitations on transfer of their ADSs.

The ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason. As a result, you may not be able to trade or otherwise transfer your ADSs in the manner or at the time you choose.

Holders of ADSs are not treated as shareholders of our company and the exercise of voting rights by holders of the ADSs is limited by the terms of the deposit agreement.

Holders of ADSs are not treated as our shareholders, unless they withdraw the shares underlying the ADSs from the depositary. The depositary and the custodian for the depositary are the holders of the ordinary shares underlying the ADSs. Holders of ADSs, therefore, do not have any rights as shareholders of our company, other than the rights that they have pursuant to the deposit agreement.

Holders of the ADSs may exercise their voting rights with respect to the ordinary shares underlying their ADSs only in accordance with the provisions of the deposit agreement. If we ask the depositary to solicit your instructions, then upon receipt of voting instructions from a holder of the ADSs in the manner set forth in the deposit agreement, the depositary for the ADSs will endeavor to vote such holder’s underlying ordinary shares in accordance with those instructions. Under our articles of association, the minimum notice period required for convening a shareholders’ meeting corresponds to the statutory minimum period, which is currently 36 days. When a shareholders’ meeting is convened, a holder of the ADSs may not receive notice of a shareholders’ meeting sufficiently in advance of the meeting to permit such holder to withdraw the ordinary shares underlying its ADSs from the depositary to allow the holder to cast its vote with respect to any specific matter at the meeting. In addition, the depositary and its agents may not be able to send voting instructions to a holder of the ADSs or carry out such holder’s voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to a holder of the ADSs in a timely manner, but such holder may not receive the voting materials in time to ensure that such holder can instruct the depositary to vote the shares underlying its ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, a holder of the ADSs may not be able to exercise its right to vote and may lack recourse if the ordinary shares are not voted as requested by such holder.

The rights of shareholders in companies subject to German corporate law differ in material respects from the rights of shareholders of U.S. corporations.

We are a stock corporation (*Aktiengesellschaft* or *AG*) incorporated under German law. Our corporate affairs are governed by our articles of association and by the laws governing stock corporations incorporated in Germany. You should be aware that the rights of shareholders of a German stock corporation under German law differ in important respects from those of shareholders of a U.S. corporation. These differences include, in particular:

- Under German law, certain important resolutions, including, for example, capital decreases, measures under the German Transformation Act (*Umwandlungsgesetz*), such as mergers, conversions and spin-offs, the issuance of convertible bonds or bonds with warrants attached and the dissolution of the German stock corporation apart from insolvency and certain other proceedings, require the vote of a 75% majority of the capital represented at the relevant shareholders' meeting (*Hauptversammlung*). Therefore, the holder or holders of a blocking minority of more than 25% or, depending on the attendance level at the shareholders' meeting, the holder or holders of a smaller percentage of the shares in a German stock corporation may be able to block any such votes, possibly to our detriment or the detriment of our other shareholders.
- As a general rule under German law, a shareholder has no direct recourse against the members of the management board (*Vorstand*) or supervisory board (*Aufsichtsrat*) of a German stock corporation in the event that they have breached their duty of loyalty or duty of care to the German stock corporation. Apart from insolvency or other special circumstances, only the German stock corporation itself has the right to claim damages from members of the management board or the supervisory board. A German stock corporation may waive or settle such damage claims only if at least three years have passed since the violation of a duty occurred and the shareholders approve the waiver or settlement at the shareholders' meeting with a simple majority of the share capital represented at such meeting, unless a minority holding, in the aggregate, 10% or more of the German stock corporation's share capital objects to the shareholder resolution approving the waiver or settlement and has its objection formally recorded in the minutes of the shareholder meeting by a German civil law notary.

For more information, we have provided summaries of relevant German corporate law and of our articles of association in Exhibit 2.3 to this Annual Report.

In addition, the responsibilities of members of our management board and supervisory board may be different from the management or directors of those corporations. In the performance of their duties, our management board and supervisory board are required by German law to consider the interests of our company, its shareholders, its employees and other stakeholders. It is possible that some of these parties will have interests that are different from, or in addition to, your interests as an ADS holder.

Holders of the ADSs may not be able to participate in any future preemptive subscription rights issues or elect to receive dividends in shares, which may cause additional dilution to their holdings.

Under German law, the existing shareholders of a stock corporation generally have a preemptive right to subscribe for shares, in proportion to the amount of shares they hold, in connection with any issuance of ordinary shares, convertible bonds, bonds with warrants, profit participation rights and participating bonds. However, a shareholders' meeting may vote, by a majority representing at least three-quarters of the share capital represented at the meeting, to waive, or authorize the management of the company to waive (with the approval of the supervisory board), for a capital increase from authorized capital, this preemptive right provided that, from the company's perspective, there exists good and objective cause for such waiver, especially for a capital increase of up to 10% of the share capital if the issue price of the new shares is not significantly lower than their market price.

Certain non-German shareholders may not be able to exercise their preemptive subscription rights in our future offerings due to the legislation and regulations of their home country. For example, ADS holders in the U.S. will not be entitled to exercise or sell such rights unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. In addition, the deposit agreement provides that the depositary need not make rights available to you unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act or exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared

effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, ADS holders may be unable to participate in our rights offerings and may experience dilution in their holdings. In addition, if the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case you will receive no value for these rights.

Investors may have difficulty enforcing civil liabilities against us, our management board members, our supervisory board members.

Certain members of our supervisory board and management board are non-residents of the United States, and all or a substantial portion of the assets of such persons are located outside the United States. As a result, it may not be possible, or may be very difficult, to serve process on such persons or us in the United States or to enforce judgments obtained in U.S. courts against them or us based on civil liability provisions of the securities laws of the United States. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Germany. An award for monetary damages under the U.S. securities laws would be considered punitive if it does not seek to compensate the claimant for loss or damage suffered and is intended to punish the defendant. The enforceability of any judgment in Germany will depend on the particular facts of the case as well as the laws and treaties in effect at the time. Litigation in Germany is also subject to rules of procedure that differ from the U.S. rules, including with respect to the taking and admissibility of evidence, the conduct of the proceedings and the allocation of costs. With very narrow exceptions, proceedings in Germany would need to be conducted in the German language, and all documents submitted to the court would, in principle, have to be translated into German. For these reasons, it may be difficult for a U.S. investor to bring an original action based upon the civil liability provisions of the U.S. federal securities laws against us, certain members of our supervisory board and management board in a German court. The United States and Germany do not currently have a treaty providing for recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters, though recognition and enforcement of foreign judgments in Germany is possible in accordance with applicable German laws.

German and European insolvency laws are substantially different from U.S. insolvency laws and may offer our shareholders less protection than they would have under U.S. insolvency laws.

As a company with its registered office in Germany, we are subject to German insolvency laws in the event any insolvency proceedings are initiated against us including, among other things, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings as of June 2017. Should courts in another European country determine that the insolvency laws of that country apply to us in accordance with and subject to such EU regulations, the courts in that country could have jurisdiction over the insolvency proceedings initiated against us. Insolvency laws in Germany or the relevant other European country, if any, may offer our shareholders less protection than they would have under U.S. insolvency laws and make it more difficult for our shareholders to recover the amount they could expect to recover in a liquidation under U.S. insolvency laws.

We are an emerging growth company, as defined in the Securities Act, and we cannot be certain whether the reduced disclosure requirements applicable to emerging growth companies will make the ADSs less attractive to investors, given that we may rely on these exemptions.

We are an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act, and therefore we may take advantage of certain exemptions from reporting requirements that are applicable to public companies that are not “emerging growth companies,” including, but not limited to, presenting only limited selected financial data in this Annual Report, not being required to comply with the auditor attestation requirements of Section 404 in this Annual Report or subsequent Annual Reports filed on Form 20-F and not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements. As a result, our shareholders may not have access to certain information that they may deem important. In addition, the JOBS Act provides that an emerging growth company may take advantage of an extended transition period for complying with new or revised accounting standards, which allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. Such provisions are only applicable under U.S. GAAP. We currently prepare our financial statements in accordance with IFRS as issued by the IASB, which do not have separate provisions for publicly traded and private companies. However, in the event we convert to U.S. GAAP while we are still an “emerging growth company,” we may be able to take

advantage of the benefits of this extended transition period. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if our total annual gross revenue exceeds $1.07 billion, if we issue more than $1.00 billion in non-convertible debt securities during any three-year period, or if we are a large accelerated filer and the market value of the ADSs held by non-affiliates exceeds $700 million as of the end of any second quarter before that time. Investors may find the ADSs less attractive because we have relied on the reporting requirement exemptions described above. If some investors find the ADSs less attractive, there may be a less active trading market for the ADSs and the price of the ADSs may become more volatile.

As a foreign private issuer, we are not subject to U.S. proxy rules and are subject to Exchange Act reporting obligations that, to some extent, are more lenient than those of a U.S. domestic public company.

As of the date of this Annual Report, we report under the Securities Exchange Act of 1934, as amended ("Exchange Act"), as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act and although we are subject to German laws and regulations with regard to such matters and intend to furnish half year interim reports to the SEC, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including (1) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (2) the sections of the Exchange Act requiring insiders to file public reports with respect to their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (3) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information. In addition, foreign private issuers are required to file their annual report on Form 20-F within four months after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year and U.S. domestic issuers that are large accelerated filers are required to file their annual report on Form 10-K within 60 days after the end of each fiscal year. Foreign private issuers are also exempt from Regulation FD, which is intended to prevent issuers from making selective disclosures of material information. As a result of all of the above, holders of the ADSs may not have the same protections afforded to shareholders of a company that is not a foreign private issuer.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

As discussed above, we are a foreign private issuer and, therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter, and, accordingly, the next determination will be made with respect to us on June 30, 2022.

In the future, we would cease to be a foreign private issuer at such time as more than 50% of our outstanding voting securities are held by U.S. residents and any of the following three circumstances applies: (i) the majority of our executive officers or directors are U.S. citizens or residents, (ii) more than 50% of our assets are located in the United States or (iii) our business is administered principally in the United States. If we lose our foreign private issuer status, we will be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms, which would be required to include financial statements prepared under U.S. GAAP, and which would be more detailed and extensive than the forms available to a foreign private issuer. We will also have to comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we will lose our ability to rely upon exemptions from certain corporate governance requirements under the listing rules of Nasdaq. As a U.S. listed public company that is not a foreign private issuer, we would incur significant additional legal, accounting and other expenses that we would not incur as a foreign private issuer. These expenses would relate to, among other things, the obligation to present our financial information in accordance with U.S. GAAP in the future. Additionally, a loss of our foreign private issuer status would divert our management's attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

As we are a foreign private issuer and intend to follow certain home country corporate governance practices, holders of the ADSs may not have the same protections afforded to shareholders of companies that are subject to all Nasdaq corporate governance requirements.

As a foreign private issuer, we have the option to follow certain home country corporate governance practices rather than those of Nasdaq, provided that we disclose the requirements we are not following and

describe the home country practices we are following. The standards applicable to us are considerably different than the standards applied to domestic U.S. issuers. For instance, we are not required to:

- have a majority of the board be independent (although all of the members of the audit committee must be independent under the Exchange Act);
- have a compensation committee or a nominating or corporate governance committee consisting entirely of independent directors;
- have regularly scheduled executive sessions with only independent directors; or
- adopt and disclose a code of ethics for directors, officers and employees.

We have relied on and intend to continue to rely on some of these exemptions. As a result, holders of the ADSs may not have the same protections afforded to shareholders of companies that are subject to all Nasdaq corporate governance requirements.

Our ADSs and ordinary shares are listed on two separate stock markets and investors seeking to take advantage of price differences between such markets may create unexpected volatility in the price of the ADSs.

Our ordinary shares are listed and traded on the XETRA trading system of the Frankfurt Stock Exchange and our ADSs are listed and traded on Nasdaq. While our ordinary shares and ADSs are traded on these markets, respectively, price and volume levels for our ordinary shares or ADSs could fluctuate significantly, independent of the price of the ADSs or trading volume on either market. Investors could seek to sell or buy our ordinary shares or ADSs to take advantage of any price differences between the two markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in the price of the ADSs and in the volumes of ADSs available for trading. In addition, we may explore a delisting of our ordinary shares from the Frankfurt Stock Exchange in the medium term taking into consideration future trading volumes, administrative costs and other factors. In case of a delisting of our ordinary shares from the Frankfurt Stock Exchange, our shareholders may seek to sell their ordinary shares on the Frankfurt Stock Exchange or deposit their ordinary shares with the depositary or the custodian for the depositary in exchange for ADSs as the date for our delisting on the Frankfurt Stock Exchange draws near, which could result in volatility in the trading price of the ADSs. Furthermore, following such delisting, trading in our equity securities will be available only on Nasdaq in the form of trading in the ADSs. If we are unable to continue to meet the regulatory requirements for listing on Nasdaq, we may lose our listing on the exchange, which could further impair the liquidity of the ADSs.

If we were to pay dividends, holders of the ADSs may be unable to claim tax credits with respect to, or tax refunds to reduce German withholding tax applicable to, the payment of such dividends, or such dividends may effectively be taxed twice.

As a German tax resident company, if we were to pay dividends, such dividends will be subject to German withholding tax. Currently, the applicable aggregate German withholding tax rate is 26.375% of the gross dividend (25% income tax plus 5.5% solidarity surcharge thereon). This German tax can be reduced to the applicable rate under the Treaty (as defined in "E. Taxation—German Taxation of ADSs—Taxation of Non-German Resident U.S. Holders"), which is generally 15%, if the applicable taxpayer is eligible for such Treaty rate and files an application containing a specific German tax certificate with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). If such a tax certificate cannot be delivered to the ADS holder due to applicable settlement mechanics or lack of information regarding the ADS holder, holders of the ADSs may be unable to benefit from the double tax treaty relief (including "Eligible U.S. Holders" as defined under the Treaty) and may be unable to file for a credit of such withholding tax in its jurisdiction of residence. Further, the payment made to the ADS holder equal to the net dividend may, under the tax law applicable to the ADS holder, qualify as taxable income that is in turn subject to withholding, which could mean that a dividend is effectively taxed twice. There can be no guarantee that the information delivery requirement can be satisfied in all cases, which could result in adverse tax consequences for affected ADS holders. ADS holders should note that the applicable interpretation circular (*Besteuerung von American Depositary Receipts (ADR) auf inländische Aktien*) issued by the German Federal Ministry of Finance (*Bundesministerium der Finanzen*), dated May 24, 2013 (reference number IV C 1-S2204/12/10003), as amended by the circular dated December 18, 2018 (reference number IV C 1-S2204/12/10003), (the "ADR Tax Circular"), is not binding on German courts, and there is no certainty as to whether a German tax court will follow the ADR Tax Circular in determining the German tax treatment of the ADSs. In addition, the ADR Tax Circular does not include details on how an ADR program should be designed. If the ADSs were determined not to fall within the scope of application of the ADR Tax Circular, or a German tax court did not follow the ADR Tax Circular, and profit distributions made with respect to the ADSs were not