



FREQUENTIS

FOR A SAFER WORLD

Half-year Financial Report 2022

Key figures Frequentis Group

All figures in EUR million, except where otherwise stated.

Earnings	H1 2022	H1 2021	+/- in %	+/- in EUR million	2021
Revenues	167.3	144.6	+15.7%	+22.7	333.5
EBITDA	8.4	12.4	-31.9%	-4.0	46.5
EBITDA margin	5.1%	8.6%	-3.5 pp	-	13.9%
EBIT	-0.5	5.4	-	-5.9	29.0
EBIT margin	-0.3%	3.7%	-0.3 pp	-	8.7%
Profit/loss for the period	-0.3	4.1	-	-4.4	20.8
Earnings per share in EUR	-0.03	0.28	-	-	1.50

Orders	H1 2022	H1 2021	+/- in %	+/- in EUR million	2021
Order intake	161.2	157.1	+2.6%	+4.1	333.2
Orders on hand at end of period	498.1	453.0	+10.0%	+45.1	467.9

Statement of financial position	30 June 2022	30 June 2021	+/- in %	+/- in EUR million	2021
Total assets	318.5	290.4	+9.7%	+28.2	315.7
Shareholders' equity	129.8	115.1	+12.8%	+14.7	129.9
Equity ratio	40.7%	39.6%	+1.1 pp	-	41.1%
Net cash	84.5	77.2	+9.5%	+7.3	101.1
No. of employees (average, in FTE) ¹⁾	2,021	1,851	+9.2%	-	1,937

Cash flow statement	H1 2022	H1 2021	+/- in %	+/- in EUR million	2021
Cash flow from operating activities	-3.3	2.9	-	-6.2	48.8
Cash flow from investing activities	-4.2	-9.4	-55.2%	-5.2	-24.6
Cash flow from financing activities	-12.3	-7.0	-75.4%	-5.3	-12.6
Cash and cash equivalents at end of period	84.7	78.2	+8.3%	+6.5	103.8

Note: Minimal arithmetical differences may arise from the application of commercial rounding to individual items and percentages.

¹⁾ Number of employees reported as average full-time equivalents (FTE); figures for 2021 restated.

Preface

Ladies and gentlemen,

In the first six months of 2022, our operating business was hardly influenced by the COVID-19 pandemic. Thanks to the stable Frequentis business model as a provider of communication and information systems for control centres in the safety-critical sector, demand remains high, as shown by the increase in order intake. The rise in order intake and revenues was partly due to the companies acquired from L3Harris Technologies in 2021 and the acquisition of the Italian company Regola in January 2022.

Highlights

Despite the global economic disruption resulting from the war in Ukraine, we continued to grow. On this basis, we are satisfied with our performance in the first six months of 2022:

- Order intake increased by 2.6% to EUR 161.2 million (H1 2021: EUR 157.1 million)
- Orders on hand were 10.0% higher at EUR 498.1 million as at June 2022 (June 2021: EUR 453.0 million).
- Revenues rose by 15.7% to EUR 167.3 million (H1 2021: EUR 144.6 million)
- EBITDA was EUR 8.4 million (H1 2021: EUR 12.4 million)
- EBIT was EUR -0.5 million (H1 2021: EUR 5.4 million)
- The Group made a loss of EUR 0.3 million (H1 2021: profit of EUR 4.1 million)
- The equity ratio was 40.7% (June 2021: 39.6%)
- Net cash was EUR 84.5 million (June 2021: EUR 77.2 million)

Continued growth

Order intake increased further to EUR 161.2 million with orders coming from around the world. Orders on hand now amount to half a billion euros. The increase was due to our product portfolio on the one hand, and our customers' trust on the other. Revenues posted double-digit growth of 15.7% to EUR 167.3 million, thanks to organic growth, which was at 4.3%, and also to our acquisitions.

Overall, the seasonality commonly seen in previous years – with the exception of the first half of 2021 – was visible again. The seasonal pattern is due the customer structure and the nature of the project business: order intake and project acceptances are normally highest at the end of the year, which generally leads to a negative half-year result. EBIT was EUR -0.5 million and the Group made a loss for the period of EUR 0.3 million.

Our financials remain solid. The equity ratio was 40.7% as at June 2022, above the level at the end of June 2021. The net cash position was EUR 84.5 million and we reduced our borrowing to a minimum.

At the Annual General Meeting, our shareholders passed a resolution to increase the dividend by one third to EUR 0.20 per share. The dividend was paid in June.

Acquisition in Italy

At the start of 2022, Frequentis continued its growth strategy in the Public Safety domain by acquiring a 51% interest in the Italian company Regola. Regola offers innovative software solutions such as an integrated control room solution to improve the emergency response of public safety teams. The command and control (CAD) solutions from Regola complement the Frequentis portfolio in the area of public safety and adjacent markets. The aim is to step up international marketing.

Six acquisitions have been made since Frequentis' IPO in May 2019. The Frequentis strategy includes searching proactively for attractive M&A opportunities to extend its product portfolio or gain access to new markets.

Forecast for 2022

In addition to the unforeseeable development of the pandemic, Frequentis faces further uncertainties in 2022. These include the macro-economic situation, inflation, and the development of prices and the availability of raw materials, electronic components, and energy as a consequence of geopolitical crises. It is not possible to make a reliable estimate of the exact effects on costs (e.g. travel expenses, pay rises), revenues (e.g. due to the deferral of project acceptances), supply chains, the budgets available to customers, and the potential postponement of investments.

The present tension in south-east Asia could cause further disruption on the global IT hardware market. In the project business, Frequentis has always had to address extensive challenges and dynamic changes in external influences and adapts constantly to the relevant conditions. The wide range of uncertainties and the resulting interdependencies make that more difficult at present.

Depending on the aspects outlined above, Frequentis aims to increase revenues and order intake in 2022 compared with 2021. Some of the increase will be attributable to the M&A transactions that have been undertaken because in 2022 the entities acquired will make a contribution to revenues and order intake from the beginning of the year. Around EUR 7 million has been earmarked for investment (capex).

Frequentis expects to report an EBIT margin of around 6-8% in 2022 – depending on the points outlined above and any outstanding post-merger integration costs.

Vienna, 16 August 2022

Best regards,

Norbert Haslacher
Chairman
of the Executive Board

Peter Skerlan
Member
of the Executive Board

Hermann Mattanovich
Member
of the Executive Board

The share

Analysts

In addition to BankM (Roger Becker, Daniel Großjohann) and Raiffeisen Bank International (Teresa Schinwald), ODDO-BHF now regularly writes analyses and notes on Frequentis. That means that Frequentis is now covered by three banks. ODDO-BHF initiated coverage of the company in July 2022; the analysts are Nicolas Thorez and Amira Manai.

Dividend

The Annual General Meeting on 2 June 2022 passed a resolution to increase the dividend by one third to EUR 0.20 per share for the 2021 financial year (2020 financial year: EUR 0.15 per share). As a result, almost EUR 2.7 million was paid out, giving a dividend yield of 0.75% based on the closing price on the Vienna Stock Exchange at end-December 2021 (2020: 0.83%).

The Frequentis dividend policy is to pay out around 20-30% of adjusted profit of the Frequentis Group, after tax – bearing in mind the annual ceiling of 40% of the net profit of Frequentis AG reported in the individual financial statements of Frequentis AG prepared in compliance with the Austrian Commercial Code (UGB).

Treasury shares

The company had 15,500 treasury shares as at 31 December 2021. Following the transfer of 6,590 shares to the Chairman of the Executive Board in May 2022 as settlement for the long-term incentive plan 2019 (LITP 2019), at the end of June 2022 the company held 8,910 treasury shares. That was 0.0671% of the share capital.

Group Management Report as at 30 June 2022

Economic environment

Compared with other sectors of the economy, the areas in which the Frequentis Group operates (information and communication systems for civil and military air traffic control, emergency services, rail and water transport) have relatively low cyclical exposure. Frequentis' business performance would be adversely affected by a significant global decline in one of these five areas. Frequentis cannot completely avoid general economic developments. However, it supplies safety-critical infrastructure, which cannot be dispensed with and has to be upheld and maintained even in periods of crisis.

The International Monetary Fund (IMF) published its World Economic Outlook Update on 26 July 2022¹. Several shocks have hit a world economy already weakened by the pandemic: higher-than-expected inflation worldwide – especially in the United States and major European economies – triggering tighter financial conditions, a worse-than-anticipated slowdown in China, reflecting COVID-19 outbreaks and lockdowns, and further negative spillovers from the war in Ukraine.

The risks to the outlook are overwhelmingly tilted to the downside. The war in Ukraine could lead to a sudden stop of European gas imports from Russia, inflation could be harder to bring down than anticipated, and tighter global financial conditions could induce debt distress in emerging markets and developing economies. Renewed COVID-19 outbreaks and lockdowns as well as a further escalation of the property sector crisis might further suppress Chinese growth. Geopolitical fragmentation could impede global trade and cooperation.

For the USA, the IMF projects economic growth of 2.3% in 2022 (2023: 1.0%). It forecasts that the economy in the euro zone will grow by 2.6% in 2022 (2023: 1.2%). For the major economies in the euro zone, differing growth rates are predicted for 2022 and 2023: for Germany it is forecasting growth of 1.2% in 2022 (2023: 0.8%), for France it anticipates a growth rate of 2.3% (2023: 1.0%), for Italy growth of 3.0% is forecast for 2022 (2023: 0.7%), and for Spain the forecast is 4.0% (2023: 2.0%). The forecast for the UK is 3.2% growth in 2022 (2023: 0.5%).

For the emerging and developing economies in Asia, the forecast growth rate is 4.6% for 2022 (2023: 5.0%). For Latin America, the IMF assumes growth of 3.0% in 2022 (2023: 2.0%). The projection for the Middle East and Central Asia is 4.8% growth (2023: 3.5%).

¹ <https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>

Business performance

In the first six months of 2022, Frequentis' operating business was hardly influenced by the COVID-19 pandemic. Revenues rose, partly due to the companies acquired from L3Harris Technologies during 2021 and the acquisition of the Italian company Regola in January 2022. Thanks to Frequentis' stable business model as a provider of communication and information systems for control centres in the safety-critical sector, demand remains high, as shown by the increase in order intake.

Significant events in the first half of 2022

Acquisition of Regola

On 3 January 2022, Frequentis acquired a 51% interest in Regola S.r.l. (based in Turin, Italy). This Italian company's innovative software solutions complement Frequentis' public safety product portfolio and therefore support its long-term growth strategy in this business domain.

Frequentis and Regola supply integrated solutions to improve the response of emergency services. Regola's command and control (CAD) solutions complement the Frequentis portfolio in the area of public safety and adjacent markets. Its main product is the UNIQUE CAD product family, accompanied by products offered on a software-as-a-service basis. The aim is to step up international marketing.

The Frequentis strategy includes searching proactively for attractive M&A opportunities to extend its product portfolio or gain access to new markets.

Frequentis turns 75

In 2022, Frequentis is celebrating its 75th anniversary. From its origins as a small company – what would be called a start-up today – founded by two ambitious engineers in post-war Vienna in 1947, it grew first into a medium-sized company and eventually into a successful global group of companies.

A distinctive culture with a safety-critical focus plays a key role in the success of the Frequentis team. 75 years of experience with projects in the safety-critical sector have resulted in extensive expertise and a deep understanding of customers' needs. Frequentis intends to continue to use this knowledge on the world's markets in the future – wherever the mission is to protect people and property.

Order intake

Order intake in the Frequentis Group was EUR 161.2 million in the first six months of 2022, an increase of 2.6% compared with the first half of 2021 (EUR 157.1 million).

The distribution of order intake between the two segments in the first six months of 2022 was as follows: Air Traffic Management 73% (H1 2021: 75%), Public Safety & Transport 27% (H1 2021: 25%).

Highlights of order intake in the Air Traffic Management segment

The Frequentis Air Traffic Management segment acquired a wide variety of orders across its product range from all over the world – from countries including e.g. Australia, Austria, and France.

Demand for remote digital towers remains consistently high. The French air navigation service provider, DSNA (Direction des Services de la Navigation Aérienne), has placed an order with Frequentis to supply its state-of-the-art remote digital tower solution for France.

In the area of drones, the Australian air navigation service provider has selected Frequentis to participate in the tender procedure for the country's first Flight Information Management System (FIMS). This system will support the secure integration of drones as emerging airspace users into Australia's low-altitude airspace.

The Austrian air navigation service provider Austro Control and Frequentis have started to build a digital traffic management solution for secure integration of drones into Austrian airspace.

Highlights of order intake in the Public Safety & Transport segment

In the Public Safety & Transport segment, the Public Safety business domain increased its market leadership with the emergency services in Germany by securing an order to supply a system to connect the emergency rescue services and fire brigades to the safety-critical digital communication network in the federal state of North Rhine-Westphalia as well as an order for an integrated control centre solution for the federal state of Saarland.

In the Public Transport business domain, orders were mainly secured from the installed base in Europe. As well as orders for releases and upgrades, these include add-on and maintenance contracts.

In the Maritime business domain, Frequentis acquired an order to upgrade the control centre communications for Australia's nationwide coastal surveillance (search and rescue) service, as well as orders from the installed base, for example from the Dutch coast guard organisation.

Orders on hand

Orders on hand amounted to EUR 498.1 million as at 30 June 2022 (including orders on hand from the new acquisition, Regola). That marked an increase of 10.0% or EUR 45.1 million compared with end-June 2021 (EUR 453.0 million). The Air Traffic Management segment accounted for around 64% of total orders on hand (June 2021: 64%) and the Public Safety & Transport segment for 36% (June 2021: 36%).

Revenues and operating performance

In the first half of 2022, revenues increased by 15.7% (EUR 22.7 million) to EUR 167.3 million (H1 2021: EUR 144.6 million). Organic growth – i.e. growth excluding the L3Harris transaction in 2021 and the acquisition of the Italian company Regola in 2022 – was 4.3%.

Revenues in the Air Traffic Management segment grew by 26.9% to EUR 112.8 million. In the Public Safety & Transport segment revenues decreased by 2.8% to EUR 54.3 million. The revenue split between the Air Traffic Management and Public Safety & Transport segments was 67% : 33% in the first half of 2022 (H1 2021: 61% : 39%).

Looking at the regional revenue split, in the first half of 2022 Europe accounted for 65% (H1 2021: 70%), the Americas for 17% (H1 2021: 14%), Asia for 11% (H1 2021: <9%), Australia/Pacific for 5% (H1 2021: 4%), and Africa for 1% (H1 2021: 3%). 1% (H1 2021: <1%) of revenues were not allocated to a region.

The change in inventories of finished goods and work in progress amounted to EUR 1.8 million in the first half of 2022 (H1 2021: EUR 1.8 million) and own work capitalised totalled EUR 0.5 million (H1 2021: EUR 0.0 million).

The other operating income increased to EUR 4.6 million (H1 2021: EUR 3.2 million). The biggest single items here are grants and subsidies for research and development costs and income from research subsidies.

No profit from business combinations was recorded in the first half of 2022. In the first half of 2021, a profit from business combinations of EUR 1.7 million was recorded in connection with the acquisition of the ATC Solutions business unit of Harris Canada Systems Inc.

The operating performance increased by 15.1% to EUR 174.1 million in the first half of 2022 (H1 2021: EUR 151.3 million).

Earnings

The cost of materials and purchased services increased by 18.4% to EUR 40.2 million (H1 2021: EUR 34.0 million). Personnel expenses rose 16.0% to EUR 103.4 million (H1 2021: EUR 89.1 million). The increase was due principally to an increase in the number of employees as a result of the newly consolidated companies and to salary rises.

The other operating expenses were EUR 6.2 million higher at EUR 22.1 million (H1 2021: EUR 15.9 million), driven principally by higher travel and advertising expenses, for example for trade shows and the new companies acquired in 2021 and 2022. Since almost unrestricted travel is now possible, travel expenses increased by EUR 3.0 million year-on-year to EUR 4.5 million. Even so, they are still lower than in 2019, before the COVID-19 pandemic (H1 2019: EUR 6.0 million).

EBITDA (earnings before interest, taxes, depreciation, amortisation, and impairment losses) declined to EUR 8.4 million in the first six months of 2022 (H1 2021: EUR 12.4 million). The EBITDA margin (relative to revenues) was 5.1%, compared with 8.6% in the first half of 2021.

Depreciation and amortisation increased to EUR 9.0 million (H1 2021: EUR 7.0 million), principally due to the newly consolidated companies.

As a result of all the changes outlined above, EBIT decreased to EUR -0.5 million in the first half of 2022 (H1 2021: EUR 5.4 million). The EBIT margin (relative to revenues) was -0.3%, compared with 3.7% in the first half of 2021. It therefore exhibited the seasonality commonly seen in previous years – with the exception of the first half of 2021. The seasonal pattern is due the customer structure and the nature of the project business: order intake and project acceptances are normally highest at the end of the year, which generally leads to a negative half-year result.

Frequentis made a loss before tax of EUR 0.7 million in the first half of 2022 (H1 2021: profit before tax of EUR 5.3 million). In view of this loss, income tax income of EUR 0.4 million was recorded, compared with income tax expense of EUR 1.2 million in the first half of 2021.

The Frequentis Group registered a loss for the period of EUR 0.3 million in the first half of 2022, compared with a profit of EUR 4.1 million in the first half of 2021. Basic and diluted earnings per share were EUR -0.03 in 2022 (2021: EUR 0.28).

Employees

Since increasing use is being made of opportunities to work part-time, starting with this report the number of employees is expressed as full-time equivalents (FTE). This development reflects the general trend on the labour market, where there is increasing demand for part-time jobs.

The number of employees increased by 9.2% to an average of 2,021 FTEs (2,185 employees) in the first half of 2022 (including the additional employees from the transactions with L3Harris and Regola). The restated headcount in the first six months of 2021 was 1,851 FTEs (1,969 employees, excluding employees on leave of absence).

Asset and capital structure

Total assets increased by 0.9% to EUR 318.5 million as at end-June 2022 (end-December 2021: EUR 315.7 million). The equity ratio was 40.7% (end-December 2021: 41.1%). Equity decreased by EUR 0.1 million to EUR 129.8 million (end-December 2021: EUR 129.9 million).

The net cash position (cash and cash equivalents and time deposits less liabilities to banks and other financial liabilities) was EUR 84.5 million as at end-June 2022, which was below the net cash position of EUR 101.1 million recorded at the end of December 2021.

Non-current assets amounted to EUR 81.1 million at the end of June 2022 (end-December 2021: EUR 72.6 million). The main items here were property, plant and equipment, which totalled EUR 49.8 million (end-December 2021: EUR 47.7 million), and intangible assets which amounted to EUR 19.5 million (end-December 2021: EUR 17.7 million).

Current assets totalled EUR 237.5 million at the end of June 2022 (end-December 2021: EUR 243.1 million). The most important item here is cash and cash equivalents, including time deposits, which amounted to EUR 84.9 million (end-December 2021: EUR 106.0 million), followed by trade accounts receivable totalling EUR 55.6 million (end-December 2021: EUR 69.4 million), contract assets from contracts with customers, which amounted to EUR 50.8 million (end-December 2021: EUR 38.4 million), and inventories, which totalled EUR 27.6 million (end-December 2021: EUR 17.1 million). The increase in inventories was mainly due to increased stocking of components to ensure an adequate safety net to meet long-standing delivery and maintenance obligations despite the withdrawal of products by producers and supply bottlenecks.

As at end-June 2022, more than 75% of total cash and cash equivalents and time deposits were deposited with eleven system-relevant major banks in Austria and Germany. Less than 25% were deposited with approximately 20 other banks in Europe, Australia, Asia, and the Americas.

On the liabilities side, the main item was equity of EUR 129.8 million as at end-June 2022 (end-December 2021: EUR 129.9 million). The second largest item comprised current liabilities, which amounted to EUR 127.9 million as at end-June 2022 (end-December 2021: EUR 125.2 million). Contract liabilities from contracts with customers accounted for EUR 66.4 million of this amount (end-December 2021: EUR 65.4 million).

Non-current liabilities (third-largest item on the liabilities side) totalled EUR 60.9 million (end-December 2021: EUR 60.6 million). The biggest item here comprised non-current lease liabilities, which totalled EUR 30.3 million (end-December 2021: EUR 29.8 million).

Cash flow

The cash flow from operations declined to EUR 2.7 million in the first half of 2022 (H1 2021: EUR 8.6 million).

The cash flow for operating activities decreased to EUR -3.3 million in the first half of 2022 (H1 2021: EUR 2.9 million), mainly due to the change in inventories and trade accounts receivable.

The cash outflow for investing activities was EUR 4.2 million in the first half of 2022 (H1 2021: outflow of EUR 9.4 million). This includes all expenses for the acquisition of the Italian company Regola. Capital expenditures (cash outflows for the purchase of intangible assets, property, plant and equipment) amounted to EUR 4.2 million, which was higher than in the first half of 2021 (EUR 2.9 million).

The cash outflow for financing activities was EUR 12.3 million in the first half of 2022 (H1 2021: outflow of EUR 7.0 million), mainly as a result of loan repayments.

The total cash outflow in the first half of 2022 was EUR 19.8 million (H1 2021: outflow of EUR 13.5 million). Cash and cash equivalents, excluding time deposits, were EUR 84.7 million as at end-June 2022 (end-June 2021: EUR 78.2 million).

Business relations with related parties

For details see [↗](#) consolidated financial statements as at 30 June 2022, note 15 and [↗](#) consolidated financial statements as at 31 December 2021, note 38.

Segment performance

Air Traffic Management / ATM

The Air Traffic Management (ATM) segment comprises the ATM Civil business domain (which includes AIM / Aeronautical Information Management) and the ATM Defence business domain. This segment focuses on civil and military air traffic control organisations and therefore generally on one to two customers per country. It is estimated that the market entry barriers are relatively high.

The business domains' products are similar and are based on the same product platform. In the Defence business domain, there is also demand for additional encryption solutions. The safety and quality management requirements are the same: the international regulations for standardisation of air traffic issued by the International Civil Aviation Organization (ICAO) apply. Moreover, the infrastructure to be installed for customers (radar, radio transmission, networks) is similar.

Revenues in the Air Traffic Management segment grew by 26.9% to EUR 112.8 million in the first half of 2022 (H1 2021: EUR 88.9 million). EBIT was EUR -2.1 million (H1 2021: EUR -1.8 million).

Highlights from the operating business

Project acceptances were performed around the world in the first half of 2022. They included key milestones and acceptances of voice communication systems for the British, French, Spanish, Portuguese, and Brazilian air navigation service providers. To handle the increased air traffic during the World Cup 2022 in Qatar, the country's voice communication system is being upgraded and air traffic control at the airport tower is being digitalised and modernised.

A prototype for multiple remote tower modules developed within the framework of the SESAR programme funded by the EU was set up and tested by Frequentis and the German Aerospace Centre (DLR) during validation exercises in Germany. Located in a remote tower centre outside the airport, these modules allow control of several airports from a single location. This will also allow centralisation air traffic services (ATS) and the combining of resources at different airports, providing efficiency gains.

Public Safety & Transport / PST

The Public Safety and Transport segment comprises the Public Safety, Public Transport, and Maritime business domains. Its customers are public authorities or related organisations with monitoring and control functions.

The Public Safety business domain's customers are the police, fire, and rescue services. Police organisations also require additional encryption solutions. Alongside conventional rail operators, the Public Transport business domain's customers include local public transport providers. The Maritime business domain focuses on coastguards and port operators.

The business domains' products are similar and are based on the same product platform. Moreover, the infrastructure to be installed for customers (phones, radio transmission, networks) is similar. Despite several international standardisation efforts, different national and regional requirements and regulations still apply.

Revenues in the Public Safety & Transport segment fell by 2.8% to EUR 54.3 million in the first half of 2022 (H1 2021: EUR 55.8 million). EBIT decreased to EUR 1.7 million (H1 2021: EUR 7.2 million). When comparing the figures, it should be noted that higher-margin projects were invoiced in the first half of 2021.

Highlights from the operating business

In the Public Safety business domain, the rollout of the regional solution for the police force in the German state of North Rhine-Westphalia should be highlighted. Frequentis has been presented with the International Critical Communications Award (ICCA) in the category control room innovation for the integration and brokering of multiform critical communications via the 3020 LifeX platform.

The MissionX innovation was exhibited internationally for the first time at this year's Critical Communications World in Vienna. MissionX is an integrated end-to-end (E2E) system solution for the operation of mission-critical communication services via 4G/5G networks.

The Public Transport business domain achieved key milestones, for example in European rail projects. The Maritime business domain reported important project acceptances in Greenland and on the Faeroe Islands.

Opportunity and risk management

For information on opportunities and risks, please refer to page 141f of the Annual Report 2021.

Outlook

Forecast for 2022

In addition to the unforeseeable development of the pandemic, Frequentis faces further uncertainties in 2022. These include the macro-economic situation, inflation, and the development of prices and the availability of raw materials, electronic components, and energy as a consequence of geopolitical crises. It is not possible to make a reliable estimate of the exact effects on costs (e.g. travel expenses, pay rises), revenues (e.g. due to the deferral of project acceptances), supply chains, the budgets available to customers, and the potential postponement of investments.

The present tension in south-east Asia could cause further disruption on the global IT hardware market. In the project business, Frequentis has always had to address extensive challenges and dynamic changes in external influences and adapts constantly to the relevant conditions. The wide range of uncertainties and the resulting interdependencies make that more difficult at present.

Depending on the aspects outlined above, Frequentis aims to increase revenues and order intake in 2022 compared with 2021. Some of the increase will be attributable to the M&A transactions that have been undertaken because in 2022 the entities acquired will make a contribution to revenues and order intake from the beginning of the year. Around EUR 7 million has been earmarked for investment (capex).

Frequentis expects to report an EBIT margin of around 6-8% in 2022 – depending on the points outlined above and any outstanding post-merger integration costs.

Consolidated
Financial Statements
as at 30 June 2022

Consolidated income statement

	Note	01-06/2022 EUR thousand unaudited	01-06/2021 EUR thousand unaudited
Revenues	(3) (4)	167,296	144,634
Change in inventories of finished goods and work in progress	(3)	1,760	1,781
Own work capitalised	(3)	457	6
Other operating income	(3)	4,605	3,246
Profit from business combinations		0	1,657
Total income (operating performance)		174,118	151,324
Cost of materials and purchased services		-40,215	-33,966
Personnel expenses		-103,374	-89,094
Other operating expenses	(5)	-22,080	-15,860
Earnings before interest, taxes, depreciation, amortisation, and impairment losses (EBITDA)		8,449	12,404
Depreciation of property, plant and equipment and amortisation of intangible assets	(6)	-8,992	-7,020
Earnings before interest and taxes (EBIT)	(3)	-543	5,384
Financial income		41	18
Financial expenses		-316	-369
Net change in impairment losses on financial assets		0	6
Earnings from investments accounted for at equity		119	242
Profit/loss before tax		- 699	5,281
Income taxes	(7)	411	-1,152
Profit/loss for the period		- 288	4,129
Profit/loss attributable to:			
Equity holders of the company		-377	3,741
Non-controlling interests		89	388
		- 288	4,129
Basic earnings per share		-0.03	0.28
Diluted earnings per share		-0.03	0.28

Consolidated statement of comprehensive income

	Note	01-06/2022 EUR thousand unaudited	01-06/2021 EUR thousand unaudited
Profit/loss for the period		-288	4,129
Items that may be reclassified to the income statement in subsequent periods			
Foreign currency translation		1,050	396
Measurement of cash flow hedges		90	-210
Income taxes relating to cash flow hedges	(7)	-30	52
Items that may not be reclassified to the income statement			
Remeasurement of post-employment benefits		3,383	175
Investments accounted for at equity – amounts recognised in other comprehensive income		4	0
Income taxes in connection with the remeasurement of post-employment benefits	(7)	-1,016	-44
Other comprehensive income, net of tax		3,481	369
Total comprehensive income		3,193	4,498
Total comprehensive income attributable to:			
Equity holders of the company		3,032	4,139
Non-controlling interests		161	359
		3,193	4,498

Consolidated statement of financial position

ASSETS	Note	30 June 2022 EUR thousand unaudited	31 Dec. 2021 EUR thousand audited
Non-current assets			
Property, plant, and equipment		49,779	47,717
Intangible assets		19,518	17,717
Goodwill	(8)	5,593	3,433
Investments accounted for at equity		1,930	1,656
Equity instruments		0	0
Other non-current financial assets		867	241
Deferred tax assets		3,381	1,849
		81,068	72,613
Current assets			
Inventories		27,622	17,077
Trade accounts receivable		55,625	69,435
Contract assets	(9)	50,782	38,353
Contract costs		3,777	3,712
Other current financial assets	(10)	1,538	672
Other current non-financial assets	(10)	12,319	7,389
Income tax receivables		910	448
Time deposits		206	2,199
Cash and cash equivalents		84,688	103,798
		237,467	243,083
Total assets		318,535	315,696

LIABILITIES AND EQUITY	Note	30 June 2022 EUR thousand unaudited	31 Dec. 2021 EUR thousand audited
Shareholders' equity			
Share capital		13,280	13,280
Capital reserves		21,138	21,138
Retained earnings	(11) (12)	91,264	92,274
Treasury shares	(11)	-221	-384
Adjustments for foreign currency translation		1,144	106
Equity attributable to equity holders of the parent company		126,605	126,414
Non-controlling interests		3,146	3,436
Total shareholders' equity		129,751	129,850
Non-current liabilities			
Liabilities to banks and other financial liabilities		270	3,820
Provisions	(13)	18,645	19,992
Lease liabilities		30,313	29,785
Other non-current financial liabilities	(14)	3,784	858
Deferred tax liabilities		7,900	6,166
		60,912	60,621
Current liabilities			
Liabilities to banks and other financial liabilities		106	1,085
Contract liabilities	(9)	66,439	65,388
Trade accounts payable		18,760	13,422
Provisions		11,203	17,415
Lease liabilities		8,235	7,794
Other current financial liabilities	(14)	5,833	4,996
Other current non-financial liabilities	(14)	12,931	10,133
Current tax liabilities		4,365	4,992
		127,872	125,225
Total shareholders' equity and liabilities		318,535	315,696

Consolidated cash flow statement

	Note	01-06/2022 EUR thousand unaudited	01-06/2021 EUR thousand unaudited
Profit/loss before tax		-699	5,281
Net interest income/expense		275	259
Foreign currency translation		-226	-230
Profit/loss from the disposal of non-current assets		-1	7
Depreciation of property, plant, and equipment, and amortisation of intangible assets	(6)	8,992	7,020
Earnings from investments accounted for at equity		-119	-242
Change in provisions	(13)	-5,690	-1,982
Profit from business combinations		0	-1,657
Other non-cash income/expenses		206	165
Net cash flow from operations		2,738	8,621
Change in inventories		-10,344	-1,021
Change in trade accounts receivable		19,788	6,567
Change in contract assets	(9)	-12,429	-13,162
Change in contract costs		-66	476
Change in other receivables		-5,453	-1,391
Change in trade accounts payable		5,197	2,998
Change in contract liabilities	(9)	-3,506	-5,551
Change in other liabilities	(14)	3,536	7,437
Change in net working capital		-3,277	-3,647
Interest paid		-320	-267
Interest received		43	15
Dividends received		0	124
Income taxes paid/refunded		-2,482	-1,910
Net cash flow from operating activities		-3,298	2,936

	Note	01-06/2022 EUR thousand unaudited	01-06/2021 EUR thousand unaudited
Cash inflows from the sale of intangible assets		0	5
Cash inflows from the sale of property, plant and equipment		132	100
Cash inflows from the sale of securities and from equity instruments and time deposits		1,993	0
Cash outflows for the purchase of intangible assets		-528	-1,701
Cash outflows for the purchase of property, plant and equipment		-3,690	-1,240
Cash outflows for time deposits		0	-4,606
Cash outflows for the acquisition of associated companies		-35	0
Cash outflows for the acquisition of subsidiaries, less acquired cash and cash equivalents		-2,097	-1,991
Net cash flow from investing activities		-4,225	-9,433
Dividends paid to owners	(11)	-2,654	-1,990
Dividends paid to non-controlling interests		-896	-206
Purchase of treasury shares		0	-384
Cash inflows from loans and other financing		21	0
Cash outflows for repayment of loans and other financing		-4,548	-646
Cash outflows for payments of principal on lease liabilities		-4,215	-3,783
Net cash flow from financing activities		-12,292	-7,009
Change in cash and cash equivalents:			
Net cash flow from operating activities		-3,298	2,936
Net cash flow from investing activities		-4,225	-9,433
Net cash flow from financing activities		-12,292	-7,009
Net change in cash and cash equivalents		-19,815	-13,506
Cash and cash equivalents at start of period		103,798	91,265
Cash-flow related change in cash and cash equivalents		-19,815	-13,506
Foreign currency translation		705	468
Other loss allowances		0	6
Cash and cash equivalents at end of period		84,688	78,233

Consolidated statement of changes in shareholders' equity

in EUR thousand (unaudited)	Share capital	Capital reserves	IAS 19 reserve (net of tax)	Option reserve (net of tax)	Cash flow hedge reserve (net of tax)	Retained earnings	Treasury shares	Foreign currency translation	Equity attributable to equity holders of the parent company	Non-controlling interests	Total shareholders' equity
Note				(11)		(11)	(11)				
As at 1 January 2022	13,280	21,138	-6,284	602	-346	98,302	-384	106	126,414	3,436	129,850
Profit/loss for the period						-377			-377	89	-288
Other comprehensive income			2,309		60			1,038	3,408	73	3,481
Total comprehensive income			2,309		60	-377		1,038	3,032	161	3,193
Dividends						-2,654			-2,654	-896	-3,550
Change in treasury shares						-44	163		119		119
Changes in connection with put options						-167			-167	-1,148	-1,314
Acquisition of non-controlling interests										1,592	1,592
Other changes				-47		-92			-138		-138
As at 30 June 2022	13,280	21,138	-3,975	556	-286	94,968	-221	1,144	126,605	3,146	129,751

in EUR thousand (unaudited)	Share capital	Capital reserves	IAS 19 reserve (net of tax)	Option reserve (net of tax)	Cash flow hedge reserve (net of tax)	Retained earnings	Treasury shares	Foreign currency translation	Equity attributable to equity holders of the parent company	Non-controlling interests	Total shareholders' equity
Note				(11)		(11)	(11)				
As at 1 January 2021	13,280	21,138	-6,133	232	-123	81,887	0	-1,053	109,228	3,751	112,979
Profit/loss for the period						3,741			3,741	388	4,129
Other comprehensive income			131		-157			424	398	-29	369
Total comprehensive income			131		-157	3,741		424	4,139	359	4,498
Dividends						-1,990			-1,990	-206	-2,196
Change in treasury shares							-384		-384		-384
Other changes				172					172		172
As at 30 June 2021	13,280	21,138	-6,002	404	-280	83,638	-384	-629	111,165	3,903	115,068

Selected notes to the condensed consolidated interim financial statements

1. General information

These interim financial statements include Frequentis AG and its subsidiaries (subsequently referred to as the Frequentis Group, Frequentis, or the Group).

Frequentis AG is a company established under Austrian law. Its registered address is Innovationsstrasse 1, 1100 Vienna, Austria, and it has been listed on the Vienna and Frankfurt stock exchanges since May 2019.

The consolidated interim financial statements of Frequentis AG have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union, and therefore in accordance with the provisions of IAS 34. They are presented in condensed form.

In the opinion of the management, the consolidated interim financial statements contain all adjustments required to provide a true and fair view of the Frequentis Group's net assets, financial position, and results of operations. The consolidated interim financial statements have not been audited, nor have they been subject to a review. They should be read in conjunction with the audited consolidated financial statements of the Frequentis Group as at 31 December 2021 and are not necessarily indicative of the year-end results for 2022.

Compared to other sectors of the economy, the sectors in which the Frequentis Group operates (information and communication systems for civil and military air traffic control, emergency services, rail and water transport) have relatively low cyclical exposure. Within the sector, the individual segments of the Frequentis Group are exposed to the same fluctuations as their competitors (lower revenues and earnings in the first and second quarters and higher revenues and earnings in the third and fourth quarters). This is because a high proportion of the Frequentis Group's customers are public authorities and government-related businesses, which often only utilise their budget for the current year in the final quarter since they only take the related decisions in the third or fourth quarter. Consequently, the Frequentis Group normally generates a considerable portion of its revenues in the second half of the year and usually reports negative earnings during the first half of the year as fixed costs are incurred evenly during the year. In the first half of 2021, Frequentis reported a profit for the period. This was attributable to one-off effects such as cost reductions, successful project acceptances, which led to higher revenues, higher margin projects, and the recognition of a profit from the transaction with L3Harris.

Rounding may result in minor discrepancies in totals and percentages as a result of the use of automatic data processing.

Consolidated group

Besides Frequentis AG, which is the parent company of the Group, the consolidated financial statements of Frequentis AG include 6 (31 December 2021: 6) domestic subsidiaries and 28 (31 December 2021: 26) foreign subsidiaries controlled by Frequentis AG.

Changes to the consolidated group

On 3 January 2022, Frequentis acquired a 51% interest in Regola S.r.l. (based in Turin, Italy). This Italian company's innovative software solutions complement the Frequentis public safety product portfolio and therefore support its long-term growth strategy in this business domain.

Frequentis and Regola supply integrated solutions to improve the response of emergency services. Regola's command and control (CAD) solutions complement the Frequentis portfolio in the area of public safety and adjacent markets. Its main product is the UNIQUE CAD product family, accompanied by products offered on a software-as-a-service basis. The aim is to step up international sales and marketing.

The purchase agreement was signed on 22 October 2021 and the transaction was closed on 3 January 2022.

The contractually agreed purchase price comprised the following components:

	Fair value as at 3 Jan. 2022 100% EUR thousand	Fair value as at 3 Jan. 2022 51% EUR thousand
Basic purchase price	4,020	2,050
Earn-out payments	980	500
	5,000	2,550
Regola NFP (net financial position)	-130	-66
Target Regola NFP	0	0
	-130	-66
Regola working capital	1,104	563
Target Regola working capital	560	286
	544	277
Total consideration	5,414	2,761

The earn-out payments are based on the relevant annual financial statements in accordance with the Italian generally accepted accounting principles and are defined as follows:

	Earn-out payment EUR thousand
EBIT 31 Dec. 2021 more than EUR 539 thousand	250
EBIT 31 Dec. 2022 more than EUR 746 thousand or EBIT 31 Dec. 2021 + EBIT 31 Dec. 2022 more than EUR 1,285 thousand	250
	500
or	
EBIT 31 Dec. 2021 + EBIT 31 Dec. 2022 more than EUR 1,285 thousand	500

Based on the local annual financial statements as at 31 December 2021, Regola achieved the EBIT target for 2021 and the earn-out payment of EUR 250 thousand was paid in 2022. From the information available, Frequentis estimates that the EBIT target for 2022 will also be achieved, resulting in a further earn-out payment of EUR 250 thousand.

In accordance with the purchase agreement, EUR 2,050 thousand was paid at the closing date, 3 January 2022, and EUR 461 thousand (earn-out-payment of EUR 250 thousand and EUR 211 thousand due to NFP and working capital adjustments) was paid as at 1 April 2022 following final approval of the local financial statements for 2021.

In addition, the purchase agreement includes an option for non-controlling shareholders in Regola to transfer their interests to Frequentis. If this option is exercised, Frequentis has an irrevocable obligation to acquire the interests in this business. The put option can be exercised at the earliest on 31 December 2027. It is based on the enterprise value, calculated as a multiples valuation less net financial debt. The multiples valuation is based on EBIT as at 31 December 2027. The liability from this put option in the amount of TEUR 2,375, which has already been recognised as other non-current financial liabilities, reduced the non-controlling interests.

The fair value of the assets acquired and liabilities assumed was as follows:

	Fair value as at 3 Jan. 2022 100% EUR thousand	Fair value as at 3 Jan. 2022 51% EUR thousand
Intangible assets	3,440	1,754
Property, plant, and equipment	447	228
Investments accounted for at equity	152	77
Other non-current receivables	15	8
Advance payments made	201	103
Trade accounts receivable	5,977	3,048
Other assets	349	178
Cash and cash equivalents	414	211
Deferred tax liabilities	-876	-447
Non-current lease liabilities	-175	-89
Provisions for severance payments	-816	-416
Contract liabilities	-4,557	-2,324
Trade accounts payable	-769	-392
Current lease liabilities	-65	-33
Other liabilities	-280	-143
Current tax liabilities	-83	-42
Other current provisions	-125	-64
Net assets	3,249	1,657
Consideration paid	5,414	2,761
Goodwill	2,165	1,104

The goodwill from this acquisition was recognised using the full goodwill method and relates primarily to the anticipated synergies from use of the new technologies.

Transaction costs incurred for the business combination were recognised in current expenses for the period. The receivables assumed did not contain any receivables that are expected to be uncollectable, so the carrying amount corresponded to their fair value.

Since the acquisition, Regola has contributed revenues of EUR 2,216 thousand and EBIT of EUR -36 thousand to the consolidated figures of the Frequentis Group.

Initial consolidation of all assets acquired and liabilities assumed was based on preliminary figures as the valuations have not been finalised. In accordance with the provisions of IFRS 3 on initial consolidation, the items presented in the statement of financial position will be finalised within 12 months from the acquisition.

In addition, Frequentis USA Holdings, Inc. (based in Maryland, USA) was established in February 2022. This company is wholly owned by Frequentis AG.

2. Accounting policies

The interim financial statements are prepared in accordance with IAS 34 “Interim Financial Reporting” and require estimates and assumptions that affect the amounts reported in the interim financial statements. The significant assumptions and key sources of estimation uncertainty remain unchanged from those set out in the notes to last year’s consolidated financial statements. The actual results could differ from these estimates.

New and amended standards and interpretations

When preparing the consolidated interim financial statements, the following amendments to existing IAS/IFRS standards and interpretations, as well as the new standards and interpretations, were applied, insofar as they had been endorsed by the European Union by 30 June 2022 and were effective at that date:

- Property, Plant and Equipment – Proceeds before Intended Use (IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (IAS 37)
- Reference to the Conceptual Framework (IFRS 3)

Where applicable, the above standards and amendments were adopted in these consolidated interim financial statements. The effects of these changes on the financial statements were insignificant.

Notes to the consolidated income statement and statement of financial position

3. Segment report

Operating segments

- Air Traffic Management
- Public Safety & Transport

The main customer groups in the market served by the Air Traffic Management (ATM) segment are civil and military air traffic control and homeland security organisations. The Frequentis Group supports its customers in their central role of air traffic management and efficient and safe control and management of aviation. Product solutions for control centres in the ATM segment range from voice communication, networks, (remote) digital towers, ATC towers, surveillance, AIM (aeronautical information management), and AMHS (aeronautical message handling systems) to ATM/UTM (unmanned traffic management) integration. For the defence sector, the portfolio is supplemented by secure communications and situational awareness applications.

The market served by the Public Safety & Transport (PST) segment comprises public safety (police, fire, and emergency rescue services), public transport (railways), and maritime (coast guard, port operators, and organisations that monitor shipping on inland waterways). The Frequentis Group's PST segment delivers control centre solutions for police, ambulance, and fire service organisations, search and rescue, coastal surveillance, operations communications, and incident and crisis management. The acquisition made in 2022, which has been allocated to the PST segment, resulted in revenues of EUR 2,216 thousand and EBIT of EUR -36 thousand.

Data on the operating segments

The chief operating decision maker of the Frequentis Group is the Executive Board. The accounting policies applied by the individual segments are the same as those for the Frequentis Group. Earnings before interest and taxes (EBIT) are used for internal reporting and correspond to the segment result as defined in IFRS 8.23. There are no inter-segment revenues. The amounts in the column headed reconciliation/consolidation mainly comprise transactions that cannot be allocated clearly to one segment and were undertaken for both segments.

01-06/2022	Air Traffic Management EUR thousand	Public Safety & Transport EUR thousand	Reconciliation/ consolidation EUR thousand	Total EUR thousand
Revenues	112,769	54,260	267	167,296
Change in inventories of finished goods and work in progress	581	462	717	1,760
Own work capitalised	367	0	90	457
Other operating income	3,812	587	207	4,605
Total income (operating performance)	117,529	55,309	1,281	174,118
EBIT	-2,125	1,706	-124	-543

01-06/2021	Air Traffic Management EUR thousand	Public Safety & Transport EUR thousand	Reconciliation/ consolidation EUR thousand	Total EUR thousand
Revenues	88,882	55,835	-83	144,634
Change in inventories of finished goods and work in progress	815	425	541	1,781
Own work capitalised	0	0	6	6
Other operating income	2,473	482	291	3,246
Profit from business combinations	1,657	0	0	1,657
Total income (operating performance)	93,826	56,742	756	151,324
EBIT	-1,776	7,249	-89	5,384

Segment assets and segment liabilities are not disclosed here because internal reporting does not include a breakdown of assets between the two segments.

Details of Group-wide data

Neither in the reporting period nor in the prior-year period did the Frequentis Group generate more than 10% of its total revenues with any single customer.

Orders on hand as at 30 June 2022 totalled EUR 498,085 thousand (30 June 2021: EUR 452,981 thousand). The ATM segment accounted for EUR 319,989 thousand (30 June 2021: EUR 292,119 thousand) of this amount and the PST segment for EUR 178,096 thousand (30 June 2021: EUR 160,862 thousand).

4. Revenues

The revenue split by category in the reporting period was as follows:

	01-06/2022 EUR thousand	01-06/2021 EUR thousand
New products and/or new customer business	68,208	57,448
IBB (installed base business)	94,085	82,218
Other revenues	5,003	4,968
	167,296	144,634

The regional breakdown of revenues by end-users was as follows:

	01-06/2022 EUR thousand	01-06/2021 EUR thousand
Europe	109,106	101,526
Americas	27,974	19,918
Asia	18,263	12,581
Australia/Pacific	8,795	5,505
Africa	1,811	4,208
Small orders (not allocated)	1,347	896
	167,296	144,634

The line item "small orders" relates to revenues from customer contracts that were not allocated to the other categories in the above table.

Apart from a few exceptions, all revenues of the Frequentis Group are realised at a point in time, so no further breakdown is made into revenues realised at a point in time and those realised over time.

5. Other operating expenses

	01-06/2022 EUR thousand	01-06/2021 EUR thousand
Travel expenses	4,500	1,479
Other consulting expenses	2,589	2,040
External personnel	2,124	1,334
Advertising	1,988	574
Insurance expenses	1,342	1,199
Licenses (terms of up to 1 year)	1,140	527
Maintenance	1,122	994
Legal and consulting expenses	1,102	2,571
Energy	940	507
Changes in the fair value of forward exchange contracts	924	1,034
Operating expenses (buildings)	676	571
Transport	648	552
Exchange rate differences	637	368
Telephone and communications expenses	613	505
Cleaning	504	392
Bank charges and bank guarantee fees	500	406
Miscellaneous	731	807
	22,080	15,860

Since almost unrestricted travel is now possible, travel expenses were EUR 3,021 thousand higher than in the prior-year period. However, they are still lower than in 2019 (H1 2019: EUR 5,957 thousand).

EUR 2,409 thousand of the increase in other operating expenses is attributable to the acquisitions made in 2021 and 2022.

6. Depreciation of property, plant and equipment and amortisation of intangible assets

	01-06/2022 EUR thousand	01-06/2021 EUR thousand
Depreciation of right-of-use assets	4,515	3,917
Depreciation of property, plant and equipment and amortisation of intangible assets	3,961	2,931
Depreciation and amortisation of low-value assets	516	172
	8,992	7,020

EUR 1,407 thousand of the increase in depreciation and amortisation is attributable to the acquisitions made in 2021 and 2022.

7. Income taxes

In January 2022, Austria decided to reduce the corporation tax rate stepwise from 25% to 23%. With effect from 1 January 2023, the applicable corporation tax rate will initially be reduced to 24% for the 2023 calendar year, followed by a further reduction in 2024 to bring it to the target rate of 23%. As at 30 June 2022 deferred tax assets and liabilities were therefore measured using the tax rates applicable for the years when reversal of the temporary differences is expected. The resulting remeasurement effect was EUR 126 thousand as at 30 June 2022 and was recognized in the line item "income taxes" in the income statement.

8. Goodwill

Goodwill increased by EUR 2,160 thousand in the reporting period. EUR 2,165 thousand of this amount was due to the acquisition of Regola S.r.l. and EUR -5 thousand was due to currency translation differences at Systems Interface Ltd.

For the purpose of impairment testing, goodwill has been allocated to the Frequentis Group's cash-generating units (CGUs) as follows:

	30 June 2022 EUR thousand	31 Dec. 2021 EUR thousand
ATRiCS Advanced Traffic Solutions GmbH	0	0
Frequentis Comsoft GmbH	909	909
Frequentis Orthogon GmbH	2,263	2,263
Regola S.r.l.	2,165	
Systems Interface Ltd.	203	208
team Technology Management GmbH	53	53
	5,593	3,433

As at the date of preparation of the financial statements, there were no indications of any need to recognise an impairment loss. The annual impairment test is performed in the fourth quarter of the financial year.

9. Contract assets and contract liabilities

	30 June 2022 EUR thousand	31 Dec. 2021 EUR thousand
Contract assets	76,890	70,643
Advances from customers	-26,108	-32,290
	50,782	38,353

The contract assets mainly result from performance obligations already satisfied by the Group but not yet invoiced. Contract assets are reclassified to trade accounts receivable when there is an unconditional right to receive consideration. This is normally the case when the Group issues an invoice for the goods and services provided.

The increase in contract assets compared with 31 December 2021 is the net result of a large number of newly commenced and invoiced projects.

It is assumed that there are no relevant default risks for contract assets. In the case of orders for which the Group makes advance payments, the creditworthiness of customers is carefully reviewed. These orders primarily relate to work for public authorities or major international companies.

Contract liabilities comprise obligations to transfer goods or services to customers, for which consideration has already been received. These primarily relate to advance payments, some of which are secured by prepayment guarantees.

The following table shows the structure of contract liabilities:

	30 June 2022 EUR thousand	31 Dec. 2021 EUR thousand
Advances for customer projects	76,471	83,106
Advances offset against contract assets	-24,056	-29,075
	52,415	54,031
Other contract liabilities	4,102	6,332
Other contract liabilities offset against contract assets	-2,052	-3,215
	2,050	3,117
Accrued revenue for maintenance contracts	11,357	7,500
Liabilities for outstanding performance obligations for customer orders after final invoicing (current)	554	708
Liabilities for outstanding performance obligations for customer orders after final invoicing (non-current)	63	32
Total contract liabilities	66,439	65,388

Other contract liabilities contain contractual claims to advance payments.

10. Other current assets

	30 June 2022 EUR thousand	31 Dec. 2021 EUR thousand
Receivables from grants and subsidies	1,182	435
Positive fair value of cash flow hedges and MTM valuation	108	92
Other financial assets	248	145
Other current financial assets	1,538	672
Prepaid expenses and deferred charges	7,725	4,462
Receivables from fiscal authorities (excluding income taxes)	2,409	1,281
Other assets	2,185	1,646
Other current non-financial assets	12,319	7,389

11. Share capital and retained earnings

Treasury shares

At the Extraordinary General Meeting of Frequentis AG on 20 September 2019, the Executive Board was authorised, pursuant to Section 65 (1b) AktG, for a period of five years from the date of the resolution, therefore up to and including 19 September 2024, with the consent of the Supervisory Board but without a further resolution by the General Meeting, to sell or use treasury shares, also in a manner other than by sale on the stock exchange or by means of a public offer, in particular to sell or use treasury shares

- a) to grant treasury shares to employees, senior managers, and/or members of the Executive Board or the managing boards of its affiliates, including for purposes of share transfer programmes, in particular stock options, long-term incentive plans, and other stock ownership plans,
- b) to deliver treasury shares under convertible bonds issued by Frequentis AG,
- c) as consideration for the acquisition of entities, business operations, parts of business operations, or shares in one or several domestic or foreign companies, and
- d) for any other legally permissible purpose

and to exclude the subscription rights of shareholders. This authorisation may be exercised in full or in part or in several tranches and for several purposes.

With the approval of the Supervisory Board, in May 2022 the Executive Board passed a resolution to transfer 6,590 treasury shares to the Chairman of the Executive Board for achievement of the targets for the LTIP 2019, under exclusion of the subscription rights of shareholders.

The change in shareholders' equity is presented in the consolidated statement of changes in shareholders' equity.

As at 30 June 2022, Frequentis held 8,910 treasury shares (30 June 2021: 15,500).

Dividend

The Annual General Meeting of Frequentis AG on 2 June 2022 passed a resolution to pay a dividend of EUR 0.20 per no-par-value share entitled to the dividend for the 2021 financial year. The dividend totalling EUR 2,654 thousand was paid in June 2022.

12. Share-based payment

Frequentis AG agreed long-term incentive plans with the Chairman of the Executive Board in 2019, 2020, 2021, and 2022 (LTIP 2019, LTIP 2020, LTIP 2021, and LTIP 2022).

The share-based payment is measured in accordance with IFRS 2 at fair value on the grant date. The expense is allocated over the required vesting period. Since the agreements stipulate that the shares awarded under the LTIP cannot be settled in cash, the share-based payment is recognised in a separate item of equity.

The participant in the plans is not required to make a personal investment in Frequentis AG shares. From the grant date, in each calendar year the beneficiary can sell a maximum of one third of the shares awarded under the LTIPs. However, the beneficiary may only sell the number of shares awarded under the current LTIPs or any subsequent long-term incentive plan if, at all times, he holds at least 7,000 of the shares awarded under a long-term incentive plan ("minimum shareholding").

The service period for the fulfilment of the targets has been set at three years. The targets for the key indicators were set by the Supervisory Board. On the settlement date (at the earliest three years after the grant date), a maximum of 14,000 shares for the LTIP 2019, 17,000 shares each for the LTIP 2020 and 2021, and maximum of 18,000 shares for the LTIP 2022 (gross, i.e., before deduction of taxes and fees) but no more than 200% of the beneficiary's annual gross base salary will be granted if the targets are fully achieved. Settlement is effected by transferring the number of shares corresponding to the net amount of the award to the respective securities account.

The entitlement to the maximum number of shares arises at 100% target achievement. A lower target achievement level will result in a proportionate reduction in the entitlement. No shares will be allocated if the target achievement is less than 50%.

Apart from the achievement of the targets, the Executive Board member does not have to provide any consideration for the shares awarded.

In order to qualify for the allocation of shares in the company, targets must be achieved. The achievement of the targets for each of the plans is measured over a three-year performance period.

The following table summarises the main conditions for the share-based payment granted in the current financial year and previous years:

	LTIP 2022	LTIP 2021	LTIP 2020	LTIP 2019
Beginning of the plan	1 Jan. 2022	1 Jan. 2021	1 Jan. 2020	1 Jan. 2019
Date of approval by General Meeting	2 June 2022	20 May 2021	14 May 2020	20 Sep. 2019
Grant date	2 June 2022	15 June 2021	14 May 2020	30 Sep. 2019
End of service period	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022	31 Dec. 2021
Vesting date	30 Apr. 2025	30 Apr. 2024	30 Apr. 2023	30 Apr. 2022
Expected target achievement	91%	127%	130%	103%
Expected no. of shares	16,425	17,000	17,000	14,000
Maximum no. of shares	18,000	17,000	17,000	14,000
Bonus shares allocated	None	None	None	None

The agreed targets are measured against the following performance indicators:

LTIP 2022	LTIP 2021	LTIP 2020	LTIP 2019
Total shareholder return (TSR)	Total shareholder return (TSR)	Total shareholder return (TSR)	Total shareholder return (TSR)
Revenue growth	Increase in operating performance through key accounts	Orders on hand	Organic growth in operating performance
Earnings increase	Growth through new business development	Growth in the regions	EBIT margin
Employee satisfaction		Growth through acquisitions	Profit margin
			Development of key accounts
			Non-refinanced R&D expenses as a percentage of total operating performance
			Employee satisfaction
			Customer satisfaction

In May 2022, the targets set for the LTIP 2019 were evaluated for the performance period from 1 January 2019 to 31 December 2021 and it was established that they had been fully met, so 14,000 treasury shares (gross number of shares before taxes) were to be transferred to the Chairman of the Executive Board. Taking into consideration the tax to be withheld, 6,590 treasury shares were transferred in this context.

Of the expected total future expense relating to the LTIPs, the portion already earned as at the reporting date is recognised in shareholders' equity. This is based on the fair value on the grant date. The total expected expense for the LTIP obligation is measured at the fair value of the share relative to the share price on the date of the agreement, multiplied by the number of shares granted and the expected target achievement. In the reporting period, EUR 227 thousand (H1 2021: EUR 185 thousand) including payroll-related costs was recognised in personnel expenses in the consolidated statement of comprehensive income for the LTIPs.

For the LTIPs, it was estimated that both the market-oriented targets and the non-market-oriented targets will be met. Therefore, the effect of the market-oriented targets must be reflected in the expected level of target achievement and not in the fair value of the shares.

13. Non-current provisions

	30 June 2022 EUR thousand	31 Dec. 2021 EUR thousand
Provisions for severance payments	15,421	16,110
Provisions for pensions	4,756	6,046
Less pension insurance scheme	-2,939	-3,427
	1,817	2,619
Provisions for anniversary bonuses	334	389
Other provisions	1,073	874
Total non-current provisions	18,645	19,992

Since the life insurance policies are pledged to cover pension obligations, the corresponding amount accumulated in the pension insurance scheme is offset against the pension provisions.

The reduction in provisions for severance payments and provisions for pensions is attributable to the increase in the discount rate.

Obligations for severance payments were measured using the following parameters:

	30 June 2022	31 Dec. 2021
Interest rate	3.0%	1.0%
Wage and salary trend	4.0%	3.3%

The pension benefit obligations were measured using the following parameters:

	30 June 2022	31 Dec. 2021
Interest rate	3.0%	1.3%
Retirement age	60/65 years	60/65 years

The other non-current provisions contain provisions of EUR 660 thousand (31 December 2021: EUR 529 thousand) for projects because the expected future expenses exceed expected revenues.

14. Other liabilities

The other liabilities comprise:

	30 June 2022 EUR thousand	31 Dec. 2021 EUR thousand
Liability for put options, non-controlling interests	2,375	0
Loans from non-controlling interests	440	449
Earn-out payment liability	404	402
Loan from FFG (Austrian Research Promotion Agency)	284	0
Other liabilities	281	7
Total non-current financial liabilities	3,784	858
Negative fair values of cash flow hedges and MTM valuation	2,277	1,562
Liability for put options held by non-controlling interests	2,036	2,036
Earn-out payment liability	250	0
Other liabilities	1,270	1,398
Total current financial liabilities	5,833	4,996
Accrual for holidays not yet taken	7,129	3,919
Liabilities to the Austrian fiscal authorities (excluding income taxes)	2,981	2,694
Liabilities to health insurers	934	370
Accrual for overtime	725	710
Advances received in connection with grants and subsidies	320	1,065
Accrual for consultancy costs	230	702
Other liabilities	612	673
Total current non-financial liabilities	12,931	10,133

Other information

15. Financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including the categories to which they are allocated. It does not contain any information on the fair value of financial assets and financial liabilities that are not measured at fair value if the carrying amount is a reasonable approximation of the fair value (amounts in EUR thousand).

30 June 2022	Measured at fair value			Measured at amortised cost		Total carrying amount
	Hedge accounting	Mandatory recognition at fair value through profit or loss	Equity instrument – at fair value through profit or loss	Financial assets	Other financial liabilities	
Financial assets						
Equity instruments			0			0
Time deposits				206		206
Trade accounts receivable				55,625		55,625
Financial derivatives		108				108
Other current and non-current assets				2,297		2,297
Cash and cash equivalents				84,688		84,688
Total		108	0	142,816		142,924
Financial liabilities						
Liabilities to banks and other financial liabilities					376	376
Trade accounts payable					18,760	18,760
Lease liabilities					38,548	38,548
Derivative financial instruments	464	1,813				2,277
Other liabilities		5,065			2,275	7,340
Total	464	6,878			59,959	67,301

31 Dec. 2021	Measured at fair value			Measured at amortised cost		Total carrying amount
	Hedge accounting	Mandatory recognition at fair value through profit or loss	Equity instrument – at fair value through profit or loss	Financial assets	Other financial liabilities	
Financial assets						
Equity instruments			0			0
Time deposits				2,199		2,199
Trade accounts receivable				69,435		69,435
Financial derivatives		92				92
Other current and non-current assets				821		821
Cash and cash equivalents				103,798		103,798
Total		92	0	176,253		176,345
Financial liabilities						
Liabilities to banks and other financial liabilities					4,905	4,905
Trade accounts payable					13,422	13,422
Lease liabilities					37,579	37,579
Derivative financial instruments	716	846				1,562
Other liabilities		2,438			1,854	4,292
Total	716	3,284			57,760	61,760

Fair value

Trade accounts receivable, contract assets, other receivables, time deposits, cash and cash equivalents, trade accounts payable, contract liabilities, and other liabilities are measured at their carrying amount, which is a reasonable approximation of the fair value, due to their essentially short remaining term.

For the equity instrument, there is no quoted price available on an active market. Therefore, it is measured using parameters that are unobservable on the market. Measurement is based on the discounted cash flow method or any equity transactions close to the reporting date. The fair value is allocated to level 3 in the fair value hierarchy. There is currently no intention of selling the equity instrument.

The earn-out liabilities relating to the acquisition of ATRiCS and Regola were measured at fair value and allocated to the category at fair value through profit or loss. The fair value is allocated to level 3 in the fair value hierarchy.

The liabilities relating to the put options of the non-controlling interests in ELARA Leitstellentechnik GmbH and Regola were recognised at fair value, while changes were recognised in equity with no impact on profit or loss in accordance with IFRS 10. The fair value is allocated to level 3 in the fair value hierarchy.

The carrying amounts of derivative financial assets and liabilities correspond to their fair values. Derivatives that have not been designated as a hedging instrument nevertheless serve economically to hedge fluctuations in exchange rates. Their fair values are based on the present value of expected future cash flows, discounted by the interest rate that the Group estimates could be obtained for comparable financial instruments. They are allocated to level 2 in the fair value hierarchy.

The long-term incentive plans (LTIP), which are classified as an equity-settled share-based payment, were measured at fair value and allocated to level 3 in the fair value hierarchy.

The following hierarchy was used to allocate all financial instruments measured at fair value to a valuation method:

Level	Financial instruments at fair value
Level 1: Measurement based on quoted prices	n/a
Level 2: Measurement based on quoted prices for similar assets	Financial derivatives
Level 3: Measurement based on models with significant valuation parameters that are unobservable on the market	Equity instruments, earn-out liabilities, liabilities under put options

Derivative financial instruments

The carrying amount of derivative financial instruments corresponds to their current fair value, whereby the fair value was determined from the current market value based on the closing exchange rate for the foreign currency as at 30 June 2022.

The following table shows the development of derivative financial instruments:

30 June 2022	Derivative		Cash flow hedge			For MTM valuation		Total
	Sale amount	Purchase amount EUR thousand	Average hedging rate	Foreign currency amount	Fair value EUR thousand	Foreign currency amount	Fair value EUR thousand	Fair value EUR thousand
AUD	-4,348	2,872	1.51	0	0	-4,348	27	27
CZK	18,300	-704	26.01	0	0	18,300	14	14
GBP	-3,300	3,848	0.86	0	0	-3,300	38	38
HUF	-30,000	74	402.93	0	0	-30,000	2	2
SGD	427	-265	1.61	0	0	427	27	27
		7,233			0		108	108
AUD	-1,821	1,115	1.63	0	0	-1,821	-73	-73
CAD	-2,473	1,620	1.53	0	0	-2,473	-144	-144
CHF	-130	120	1.09	0	0	-130	-11	-11
GBP	-7,603	8,228	0.92	-6,479	-454	-1,124	-97	-551
HKD	-230	25	9.11	0	0	-230	-3	-3
NOK	-1,672	152	11.01	0	0	-1,672	-8	-8
SGD	-2,695	1,677	1.61	0	0	-2,695	-152	-152
USD	-16,676	14,426	1.16	-77	-10	-16,600	-1,325	-1,335
		27,363			- 464		-1,813	-2,277

31 Dec. 2021	Derivative		Cash flow hedge			For MTM valuation		Total
	Sale amount	Purchase amount EUR thousand	Average hedging rate	Foreign currency amount	Fair value EUR thousand	Foreign currency amount	Fair value EUR thousand	Fair value EUR thousand
GBP	349	-401	0.87	0	0	349	8	8
SGD	427	-265	1.61	0	0	427	12	12
USD	-10,860	9,502	1.14	0	0	-10,860	72	72
		8,836			0		92	92
AUD	-2,351	1,439	1.63	0	0	-2,351	-49	-49
CAD	-2,600	1,703	1.53	0	0	-2,600	-28	-28
CHF	-345	318	1.09	0	0	-345	-17	-17
GBP	-15,045	16,706	0.90	-7,572	-695	-7,474	-274	-969
HKD	-700	77	9.11	0	0	-700	-2	-2
NOK	-1,672	152	11.01	0	0	-1,672	-13	-13
SGD	-5,030	3,120	1.61	0	0	-5,030	-128	-128
USD	-13,385	11,296	1.18	-327	-21	-13,058	-335	-356
		34,811			- 716		- 846	-1,562

For the carrying amount of the cash flow hedge and the carrying amount of the MTM valuation, a positive fair value of EUR 108 thousand was recognised in other receivables as at 30 June 2022 (31 December 2021: EUR 92 thousand), while a negative fair value of EUR 2,277 thousand was recognised in other liabilities (31 December 2021: EUR 1,562 thousand). When the hedged item (revenue) is realised, the amount relating to the hedging transaction recognised in other comprehensive income is reclassified to revenues.

16. Information on business relations with related parties

Transactions with associated companies and related parties are not material and mainly comprise deliveries of goods and services. These transactions are undertaken exclusively on an arm's length basis and there were no material changes compared with the transactions presented in note 38 in the annual report for 2021.

17. Significant events after the reporting date

There were no events after the reporting date that would have impacted the interim financial statement as at 30 June 2022.

Statement by the Executive Board pursuant to section 125 paragraph 1 of the (Austrian) Stock Exchange Act

We hereby confirm that, to the best of our knowledge, the condensed interim financial statements as at 30 June 2022, drawn up in compliance with the applicable accounting standards, provide a true and fair view of the Group's net assets, financial position and results of operations, and that the half-year management report provides a true and fair view of the net assets, financial position and results of operations in respect of the significant events of the first six months of the financial year and their impact on the condensed interim financial statements as at 30 June 2022, the major risks and uncertainties relating to the remaining six months of the financial year, and major business transactions with related parties that are subject to disclosure.

Vienna, 16 August 2022



Norbert Haslacher
Chairman
of the Executive Board



Peter Skerlan
Member
of the Executive Board



Hermann Mattanovich
Member
of the Executive Board



Financial Calendar

<http://www.frequentis.com/en/ir> > Financial Calendar

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Investor Relations:

Stefan Marin

Tel. +43 1 81150 1074

investor@frequentis.com

www.frequentis.com/en/ir

Corporate Communications:

Barbara Fürchtegott

Tel. +43 1 81150 4631

communications@frequentis.com

www.frequentis.com/en/pr

Publishing details

Frequentis AG

Innovationsstraße 1, 1100 Vienna, Austria

Tel: +43 1 81150 0

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