

FREQUENTIS
FOR A SAFER WORLD

FOR A SAFER WORLD

Half-Year
Financial Report

2021



Key figures Frequentis Group

All figures in EUR million, except where otherwise stated.

| Earnings | H1 2021 | H1 2020 | +/- in % | +/- in EUR million | 2020 |
|----------------------------|---------|---------|----------|-----------------------|-------|
| Revenues | 144.6 | 132.3 | +9.4% | +12.4 | 299.4 |
| EBITDA | 12.4 | 6.0 | +107.2% | +6.4 | 41.9 |
| EBITDA margin | 8.6% | 4.5% | +4.1 PP | – | 14.0% |
| EBIT | 5.4 | -1.0 | – | +6.3 | 26.8 |
| EBIT margin | 3.7% | -0.7% | +4.4 PP | – | 9.0% |
| Profit/loss for the period | 4.1 | -23.4 | – | +27.5 | -3.4 |
| Earnings per share in EUR | 0.28 | -1.78 | – | – | -0.30 |

| Orders | H1 2021 | H1 2020 | +/- in % | +/- in EUR million | 2020 |
|---------------------------------|---------|---------|----------|-----------------------|-------|
| Order intake | 157.1 | 171.8 | -8.6% | -14.7 | 314.6 |
| Orders on hand at end of period | 453.0 | 445.2 | +1.8% | +7.8 | 427.6 |

| Statement of financial position | 30 June 2021 | 30 June 2020 | +/- in % | +/- in EUR million | 31 Dec.2020 |
|---------------------------------|--------------|--------------|----------|-----------------------|-------------|
| Total assets | 290.4 | 258.1 | +12.5% | +32.2 | 277.6 |
| Shareholders' equity | 115.1 | 94.1 | +22.2% | +20.9 | 113.0 |
| Equity ratio | 39.6% | 36.5% | +3.1 PP | – | 40.7% |
| Net cash | 77.2 | 51.2 | +50.7% | +26.0 | 85.0 |
| No. of employees (average) | 2.077 | 1.890 | +9.9% | – | 1.907 |

| Cash flow statement | H1 2021 | H1 2020 | +/- in % | +/- in EUR million | 2020 |
|--------------------------------------------|---------|---------|----------|-----------------------|-------|
| Cash flow from operating activities | 2.9 | 12.2 | -75.9% | -9.3 | 54.8 |
| Cash flow from investing activities | -9.4 | -4.7 | +101.7% | -4.8 | -7.0 |
| Cash flow from financing activities | -7.0 | -3.7 | -89.0% | -3.3 | -10.1 |
| Cash and cash equivalents at end of period | 78.2 | 57.7 | +35.6% | +20.5 | 91.3 |

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

Preface

Ladies and gentlemen,

Based on our resilient business model, our business operations continued on the usual scale in the first half of 2021. A special highlight was the L3Harris transaction, which has extended our air traffic management product portfolio.

Given the restrictions resulting from the pandemic, especially the travel restrictions, we are satisfied with our performance in the first half of 2021:

- Revenues improved by 9.4% to EUR 144.6 million (H1 2020: EUR 132.3 million)
- EBITDA more than doubled to EUR 12.4 million (H1 2020: EUR 6.0 million)
- EBIT turned positive at EUR 5.4 million (H1 2020: EUR -1.0 million)
- Net profit for the period was EUR 4.1 million (H1 2020: EUR -23.4 million)
- Order intake was EUR 157.1 million (H1 2020: EUR 171.8 million)
- Orders on hand therefore increased by 5.9% to EUR 453.0 million (year-end 2020: EUR 427.6 million)
- Equity was EUR 115.1 million (year-end 2020: EUR 113.0 million)
- The equity ratio stood at 39.6% (year-end 2020: 40.7%)
- Net cash was EUR 77.2 million (year-end 2020: EUR 85.0 million)

While a negative result is normally posted in the first half of the year, in the first six months of 2021 the Frequentis Group made a profit. This was attributable to successful project acceptances, which led to higher revenues, and to higher-margin projects and the recognition of a profit from the transaction with L3Harris. However, since travel expenses and expenses for trade shows are still at a low level as a result of the pandemic, we do not yet see this as an indication of a lasting trend to positive half-year results.

Our business model remains robust. The products supplied by Frequentis are part of the safety-critical infrastructure, in other words, the essential infrastructure of the relevant countries. This infrastructure always has to be available and ready for operation – irrespective of the number of flights/flight movements or how many times the police, fire service, and emergency rescue services are deployed. That has not changed.

Order intake was EUR 157.1 million, which was 8.6% below the relatively high level in the first half of 2020. Since order intake is normally higher in the second half of the year, for the full year 2021, we expect an increase compared to the EUR 314.6 million reported in 2020.

As in the past, we continue to monitor the quality of our balance sheet. The equity ratio of 39.6% remains above our target of >35%. We have net cash of EUR 77.2 million, despite the dividend and the initial cash outflows for the L3Harris transaction.

Highlights in the first half of 2021

- Acquisition of air traffic management (ATM) product lines from L3Harris Technologies
- NATS contract (British air navigation service provider)
- Extension of the EAD contract (European Aeronautical Information Management Database)
- Contract for the Royal Canadian Airforce
- Contract for police control centres in Saarland, Germany
- Rollout of ELKOS, the deployment control and communication system of the Austrian police force

Following signature of the agreement with L3Harris Technologies, Inc. (subsequently referred to as L3Harris) on 23 February 2021, we completed the transaction in just over five months. We have now taken over civil and military product lines for ATM voice communication systems and the software and cloud solutions for air traffic optimisation (air traffic synchronisation) from the US group L3Harris.

That diversifies and expands our product portfolio. In addition, we have entered into cooperation agreements with L3Harris. Under these agreements, as a technology partner, Frequentis will supply voice communications systems for L3Harris' large-scale projects in the solutions and services business, where possible. The Frequentis strategy includes searching proactively for attractive M&A opportunities to extend its product portfolio or gain access to new markets.

Under an agreement in connection with the L3Harris transaction, Frequentis has assumed the contract with the British air navigation service provider NATS to supply the main voice communication and arrival management system.

Eurocontrol has extended the contract with Frequentis for the release development, IT service management, and operations contracts of the European Aeronautical Information Management Database (EAD).

The Royal Canadian Airforce's main contractor, Thales Canada, has placed an order with our subsidiary, Frequentis Canada, for the supply of mission-critical tactical control radar communications equipment.

In the Public Safety & Transport segment, Frequentis has secured an order to supply a police communications system for the Saarland police headquarters in Saarbrücken, Germany.

In Austria, the rollout of the ELKOS deployment control and communication system for the police force in all nine federal provinces was completed.

Change on the Executive Board; Supervisory Board strengthened

Peter Skerlan became CFO of Frequentis AG on 16 April 2021, having been appointed by the Supervisory Board as successor to Sylvia Bardach. His term of office runs for five years. Peter Skerlan has held various positions in the finance area at Frequentis since 1999 and therefore has a sound knowledge of the company and our markets and products.

Mrs. Bardach was elected to the Supervisory Board at the Annual General Meeting on 20 May 2021. She worked for Frequentis for more than 30 years. From 2000 until 2007 she was Managing Director of Frequentis GmbH and from 2007 she was a member of the Executive Board of Frequentis AG. The IPO also took place in this period. Mrs. Bardach made a significant contribution to the international growth and business success of the Frequentis Group. We would like to thank her most sincerely for her outstanding achievements and many years of personal commitment to our Executive Board.

Forecast for 2021

Despite global measures to contain the pandemic and the increasing availability of vaccines, Frequentis faces a number of uncertainties in 2021. It is not possible to make a reliable estimate of the exact effect of the ongoing pandemic on costs (e.g. travel expenses), revenues (e.g. due to the deferral of project acceptances), supply chains, the budgets available, and the potential postponement of investments.

Depending on how the pandemic develops in the remaining months of the year, Frequentis aims to increase revenues and order intake in 2021 compared with 2020. Some of the increase will be attributable to the L3Harris transaction. We have earmarked an unchanged amount of around EUR 5 million for capital expenditure (capex).

We expect to report an EBIT margin of around 5-7% in 2021 – depending on how the pandemic develops and on the post-merger integration costs for the L3Harris units.

We would like to thank our customers, partners, and shareholders for their trust in our work. We thank all our employees for their commitment.

Vienna, 16 August 2021

Stay safe,

Norbert Haslacher
Chairman of the Executive
Board

Peter Skerlan
Member of the Executive
Board

Hermann Mattanovich
Member of the Executive
Board

The share

Dividend

A dividend of EUR 0.15 per share for the 2020 financial year (2019 financial year: EUR 0.15 per share) was approved by the Annual General Meeting on 20 May 2021. As a result, almost EUR 2.0 million was paid out, giving a dividend yield of 0.83% based on the closing price on the Vienna Stock Exchange at end-December 2020 (2019: 0.76%).

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

On 8 April 2021, the Executive Board of Frequentis AG decided to undertake a share buyback in accordance with Section 65 (1) Nos. 4 and 8 of the Austrian Companies Act (AktG) on the basis of the authorisation of the Annual General Meeting of 20 September 2019. A total of 15,500 treasury shares with a total value of EUR 384 thousand were repurchased. The share buyback programme ended on 6 May 2021. You can find further details at www.frequentis.com > Investor Relations > Share > Share Repurchase 2021.

As a result, the company held 15,500 treasury shares as at end-June 2021. That is equivalent to around 0.12% of the share capital.

Group Management Report as at 30 June 2021



Economic environment

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 compared with other sectors of industry. 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 in July 2021. Despite the pandemic, it expects global GDP to grow by 6.0% in 2021 (2022: 4.9%). However, it points to a split in the global economy into two blocs as a result of differences in vaccine access: "those that can look forward to further normalisation of activity later this year (almost all advanced economies) and those that will still face resurgent infections and rising COVID death tolls. The recovery, however, is not assured even in countries where infections are currently very low so long as the virus circulates elsewhere."

For the USA, the IMF projects growth of 7.0% in 2021 (2022: 4.9%). It forecasts that the economy in the euro zone will grow by 4.6% in 2021 (2022: 4.3%). For the large economies in the euro zone, it anticipates that the highest growth rate will be 6.2% in Spain (2022: 5.8%), followed by France, with a growth rate of 5.8% (2022: 4.2%), Italy, with growth of 4.9% (2022: 4.2%), and Germany with growth of 3.6% (2022: 4.1%). The forecast for the UK is 7.0% growth in 2021 (2022: 4.8%).

For the emerging and developing economies in Asia, the forecast growth rate is 7.5% for 2021 (2022: 6.4%). The IMF assumes growth of 5.8% in Latin America in 2021 (2022: 3.2%). The projection for the Middle East and Central Asia is 4.0% growth (2022: 3.7%).

Business performance

In the first six months of 2021, Frequentis' operating business was still influenced by the COVID-19 pandemic. Thanks to its stable business model as a provider of communications and information solutions for control centres within the safety-critical sector, the measures introduced in 2020, and further successful project acceptances, the impact has been minimised.

Order intake as well as project acceptances and therefore revenues tend to be highest at the end of the year, which generally results in a negative half-year result as fixed costs are spread evenly over the year. Frequentis' half-year result in 2021 was positive due to successful project acceptances, which led to higher revenues, higher-margin projects, and the recognition of a profit from the transaction with L3Harris.

Significant events in the first half of 2021

Acquisition of air traffic management (ATM) product lines from L3Harris Technologies, Inc.

On 23 February 2021, Frequentis signed an agreement to acquire civil and military ATM voice communications product lines and software and cloud solutions for air traffic optimisation (traffic synchronisation) of the US group L3Harris Technologies, Inc. (subsequently referred to as L3Harris). This transaction, which was subject to various competition clearance and regulatory approvals, comprised

- the acquisition of 100% of the shares in Harris Orthogon GmbH, Bremen, Germany (closing: 30 April 2021);
- the assumption of a customer contract between L3Harris and the British air navigation service provider NATS (contract transferred on 28 May 2021);
- the acquisition of the Harris ATC Solutions business unit based in Gatineau, Canada, which Harris Canada Systems, Inc. first transferred to a Canadian company established specifically for the purpose of this transaction; Frequentis then acquired all shares in the new company (closing: 28 May 2021);
- the acquisition of 100% of the shares in Harris C4i Pty. Ltd., Melbourne, Australia (closing: 30 July 2021).

This transaction extends the Frequentis ATM product portfolio. In addition to these acquisitions, L3Harris and Frequentis entered into cooperation agreements: as a technology partner of L3Harris, where possible Frequentis will provide voice communication systems for use in L3Harris' large-scale projects in the solutions and service business. For details see [↗](#) consolidated financial statements as at 30 June 2021, note 2.

COVID-19 pandemic

The outbreak of the COVID-19 pandemic at the start of the 2020 financial year triggered a global economic crisis. Frequentis could not completely avoid the general economic developments. However, it supplies safety-critical infrastructure, which has to be upheld and maintained even in periods of crisis. Alongside the effects described in the annual report for 2020, the impact of the COVID-19 pandemic in the interim reporting period to 30 June 2021 included the following:

- As in 2020, travel restrictions prevented many business trips so travel expenses have settled at a low level.
- Since many trade shows were also cancelled or held remotely in the first half of 2021, advertising expenses have also settled at a low level.

For details see [➤](#) consolidated financial statements as at 30 June 2021, note 4.

Order intake

Order intake in the Frequentis Group was EUR 157.1 million in the first six months of 2021, a drop of 8.6% compared with the first half of 2020 (EUR 171.8 million).

The distribution of order intake between the two segments in the first six months of 2021 was as follows: Air Traffic Management 75% (H1 2020: 68%), Public Safety & Transport 25% (H1 2020: 32%).

Highlights of order intake in the Air Traffic Management segment

Frequentis' Air Traffic Management segment acquired a variety of orders. Under an agreement in connection with the L3Harris transaction, Frequentis took over the contract with NATS (British air navigation service provider) for the delivery of the main voice communication and arrival management system.

Eurocontrol has extended the contract with Frequentis for the release development, IT service management, and operations contracts of the European Aeronautical Information Management Database (EAD).

Further orders were secured, among others, from the Swiss air navigation service provider skyguide to extend collaboration on the Virtual Centre. Bahrain ordered voice communication systems to modernise its air traffic control centre.

Frequentis and its long-term partner Bayanat secured an order to supply two D-ATIS systems (digital automatic terminal information service) for Dubai International Airport and Dubai World Central.

Defence business domain: The Royal Canadian Airforce's main contractor, Thales Canada, placed an order with our subsidiary, Frequentis Canada, for the supply of mission-critical tactical control radar communications equipment.

Installed base business with established customers developed favourably, especially in Europe. For example, Frequentis secured an order from the Polish armed forces for the modernisation of the air defence centre.

Highlights of order intake in the Public Safety & Transport segment

In the Public Safety & Transport segment, the Public Safety business domain is increasing its market leadership with the emergency services in Germany thanks to an order to supply a police communications system 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 expansion and maintenance contracts.

In the Maritime business domain, Frequentis was awarded the order for control centre communications for the coastguard in New South Wales, Australia.

Orders on hand

Orders on hand amounted to EUR 453.0 million as at 30 June 2021, an increase of 5.9% or EUR 25.4 million compared with year-end 2020 (EUR 427.6 million). The Air Traffic Management segment accounted for around 64% of total orders on hand (December 2020: 58%) and the Public Safety & Transport segment for 36% (December 2020: 42%).

Revenues and operating performance

Despite the continued impact of the COVID-19 pandemic on the global economy, in the first half of 2021 revenues of EUR 144.6 million (H1 2020: EUR 132.3 million) were generated, an increase of 9.4%. In the Air Traffic Management segment, revenues dropped to EUR 88.9 million (-1.2%), whereas revenues in the Public Safety & Transport segment increased by 31.9% to EUR 55.8 million.

In the first half of 2021, the Air Traffic Management segment accounted for 61% of Group revenues (H1 2020: 68%) and the Public Safety & Transport segment accounted for 39% (H1 2020: 32%).

Looking at the regional revenue split, in the first half of 2021 Europe accounted for 70% (H1 2020: 64%), the Americas for 14% (H1 2020: 17%), Asia for <9% (H1 2020: 13%), Australia/Pacific for 4% (H1 2020: 4%), and Africa for around 3% (H1 2020: 1%). <1% (H1 2020: 1%) of revenues were not allocated to a region.

Other income declined to EUR 3.2 million (H1 2020: EUR 3.5 million). The biggest single items here are grants and subsidies for research and development costs and income from a research subsidy.

The profit of EUR 1.7 million from a business combination resulted from the acquisition of the ATC Solutions business unit of Harris Canada Systems Inc. For further information, see [↗](#) consolidated financial statements as at 30 June 2021, note 2.

The operating performance increased by 11.1% to EUR 151.3 million in the first half of 2021.

Earnings

The cost of materials and purchased services decreased by 2.7% to EUR 34.0 million (H1 2020: EUR 34.9 million) due to the lower material intensity of the projects undertaken. Personnel expenses increased by 10.2% to EUR 89.1 million (H1 2020: EUR 80.9 million), principally due to the increase in the number of employees (+9.9%) as a result of the new companies in the consolidated group.

The other operating expenses rose by 9.4% to EUR 15.9 million (H1 2020: EUR 14.5 million). Multi-year comparison: in the first half of 2019, before the outbreak of the COVID-19 pandemic, the other operating expenses were EUR 19.9 million, mainly because travel expenses were higher. Travel expenses amounted to EUR 1.5 million in the first six months of 2021 (H1 2020: EUR 2.4 million; H1 2019: EUR 6.0 million).

As in 2020, travel restrictions prevented many business trips in the first half of 2021, so travel expenses have remained at a low level. Since many trade shows were also cancelled or held remotely in the first half of 2021, advertising expenses have also remained at a low level.

The present level of travel expenses is related to the travel restrictions due to the COVID-19 pandemic, the resulting necessary widespread switch to project acceptance via video conferencing, and digital marketing and sales activities. The travel restrictions also led to a reduction in advertising expenses due to the cancellation or postponement of trade shows. It should be noted that savings on

this scale will not be repeated in the future because complete digitalisation of on-site acceptance procedures, training, trade shows, and sales activities is not possible. Much will depend on the extent to which projects and sales activities can be carried out virtually in the future or whether, when the pandemic is contained, customers, suppliers, and business partners will move back towards presence-based activities.

Legal and consulting expenses (which form part of other expenses) rose to EUR 4.7 million in the first half of 2021 (H1 2020: EUR 2.5 million), partly due to expenses for legal steps relating to the insolvency of Commerzialbank Mattersburg and to M&A activities.

EBITDA (earnings before interest, taxes, depreciation, amortisation, and impairment losses) improved by EUR 6.4 million to EUR 12.4 million in the first six months of 2021 (H1 2020: EUR 6.0 million). The EBITDA margin (relative to revenues) was 8.6%, compared with 4.5% in the first half of 2020.

Depreciation and amortisation increased by EUR 0.1 million to EUR 7.0 million.

Despite the COVID-19 pandemic, as a result of the changes outlined above, EBIT increased by EUR 6.3 million to EUR 5.4 million in the first six months of 2021 (H1 2020: EUR -1.0 million). The EBIT margin (relative to revenues) was 3.7%, compared with -0.7% in the first half of 2020.

In the first six months of 2020, the following items were affected by the impairment loss on deposits following the insolvency of Commerzialbank Mattersburg. The profit before tax was EUR 5.3 million in the first half of 2021 (H1 2020: EUR -32.0 million). Income tax expense was EUR 1.1 million, whereas income tax income of EUR 8.6 million was recorded in the first half of 2020.

The Frequentis Group made a profit of EUR 4.1 million in the first half of 2021, compared with a loss of EUR 23.4 million in the first half of 2020. Basic and diluted earnings per share were EUR 0.28 in the first half of 2021, compared with EUR -1.78 in the first half of 2020.

Employees

The headcount increased by 9.9% to an average of 2,077 employees (already including the additional employees from the transaction with L3Harris) in the first half of 2021 (H1 2020: 1,890 employees).

Asset and capital structure

Total assets increased by 4.6% to EUR 290.4 million as at end-June 2021 (year-end 2020: EUR 277.6 million). The equity ratio was 39.6% (year-end 2020: 40.7%). Equity rose by 1.8% to EUR 115.1 million (year-end 2020: EUR 113.0 million).

The net cash position (cash and cash equivalents and time deposits less liabilities to banks and other financial liabilities) was EUR 77.2 million as at end-June 2021, which was below the net cash position of EUR 85.0 million recorded at year-end 2020.

Non-current assets amounted to EUR 68.2 million at end-June 2021 (year-end 2020: EUR 62.2 million). The main items here are property, plant and equipment, which totalled EUR 45.3 million (year-end 2020: EUR 46.6 million), and intangible assets which amounted to EUR 12.9 million (year-end 2020: EUR 9.0 million).

Current assets totalled EUR 222.2 million at end-June 2021 (year-end 2020: EUR 215.4 million). The most important item here is cash and cash equivalents, including time deposits, which amounted to EUR 82.8 million (year-end 2020: EUR 91.3 million), followed by trade accounts receivable totalling

EUR 55.1 million (year-end 2020: EUR 59.3 million) and contract assets from contracts with customers, which amounted to EUR 54.3 million (year-end 2020: EUR 38.4 million).

Over 80% of the cash and cash equivalents and time deposits of EUR 82.8 million as at end-June 2021 (year-end 2020: 91.3 million) were deposited with eleven system-relevant major banks in Austria and Germany. Less than 20% was deposited with approximately 20 other banks in Europe, Australia, Asia, and the Americas.

On the liabilities side, the main item was current liabilities of EUR 116.6 million as at end-June 2021 (year-end 2020: EUR 107.2 million). In particular, contract liabilities from contracts with customers amounted to EUR 59.5 million (year-end 2020: EUR 62.8 million).

The second largest item was equity, which was EUR 115.1 million as at end-June 2021 (year-end 2020: EUR 113.0 million). Non-current liabilities totalled EUR 58.7 million (year-end 2020: EUR 57.5 million). The biggest item here was non-current lease liabilities, which totalled EUR 29.0 million (year-end 2020: EUR 31.8 million).

Cash flow

The cash flow from operations rose to EUR 8.6 million in the first half of 2021 (H1 2020: EUR 2.4 million).

The cash flow from operating activities decreased to EUR 2.9 million in the first half of 2021 (H1 2020: EUR 12.2 million), mainly due to the decline in contract liabilities and the change in the line item income taxes paid/refunded.

The cash outflow for investing activities was EUR 9.4 million in the first half of 2021 (H1 2020: outflow of EUR 4.7 million), mainly as a result of the investment of funds in time deposits. In connection with the transaction with L3Harris, after deduction of the acquired cash and cash equivalents, there was a cash outflow of EUR 2.0 million in the first six months of 2021. By comparison, in the first half of 2020, EUR 1.8 million was spent on the acquisition of ATRiCS. Capital expenditures (cash outflows for the purchase of intangible assets, property, plant and equipment) were around the same level as in the first half of 2020 at EUR 2.9 million.

The cash outflow for financing activities declined to EUR 7.0 million the first half of 2021 (H1 2020: cash outflow of EUR 3.7 million). The change is mainly due to the payment of the dividend of almost EUR 2.0 million to shareholders of Frequentis AG in the first half of 2021 (in the previous year, the dividend was paid in the second half of the year). In addition, there was a change in the line item capital increase because, unlike the first half of 2021, in the first half of 2020 a cash inflow of EUR 1.3 million from the employee participation programme was recorded as a capital increase.

The total cash outflow resulting from the changes recorded in the first half of 2021 was EUR 13.5 million (H1 2020: cash inflow of EUR 3.8 million). Cash and cash equivalents, excluding time deposits, were EUR 78.2 million as at end-June 2021 (year-end 2020: EUR 57.7 million).

Business relations with related parties

For details see [↗](#) consolidated financial statements as at 30 June 2021, note 15 and [↗](#) consolidated financial statements as at 31 December 2020, 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 fell by 1.2% in the first half of 2021 to EUR 88.9 million (H1 2020: EUR 89.9 million). EBIT improved to EUR -1.8 million (H1 2020: EUR -2.6 million).

Highlights from the operating business

Despite the challenging conditions of the pandemic, a number of important project acceptances took place. One example was the optimised network for air traffic management for the air traffic control organisation in Kazakhstan. In Denmark, the concept for the remote tower project was approved by the Danish air navigation service provider, Naviair. The operating and verification tests for the first military remote digital tower in the USA were successfully completed.

The kick-off of the GOF 2.0 project, which is part of the EU's SESAR programme and focuses on flight tests for drones and air taxis in complex, urban airspace, took place.

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 increased by 31.9% to EUR 55.8 million in the first six months of 2021 (H1 2020: EUR 42.3 million). EBIT improved to EUR 7.2 million (H1 2020: EUR 1.8 million), mainly due to higher-margin projects.

Highlights from the operating business

In the Public Safety business domain, the rollout of the ELKOS deployment control and communication solution for the police force in all nine federal provinces of Austria was completed. Key certifications and interim acceptances took place for the new Emergency Services Network (ESN) ordered by the Home Office in the UK.

Further milestones were achieved in rail projects in the Public Transport business domain, for example for Irish Rail. The Maritime business domain also reported important project acceptances.

Opportunity and risk management

For information on opportunities and risks, please refer to page 105f of the Annual Report 2020.

Outlook

Acquisitions

Following the acquisition of C4i, Australia, which was closed on 30 July 2021, the acquisition of all units in the L3Harris transaction has now been completed. Finalisation of the L3Harris transaction, including finalisation of the total purchase price, will take place in the second half of 2021. In the first full year, i.e. 2022, this transaction is expected to generate revenues of around EUR 30 million, depending on how the pandemic develops.

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

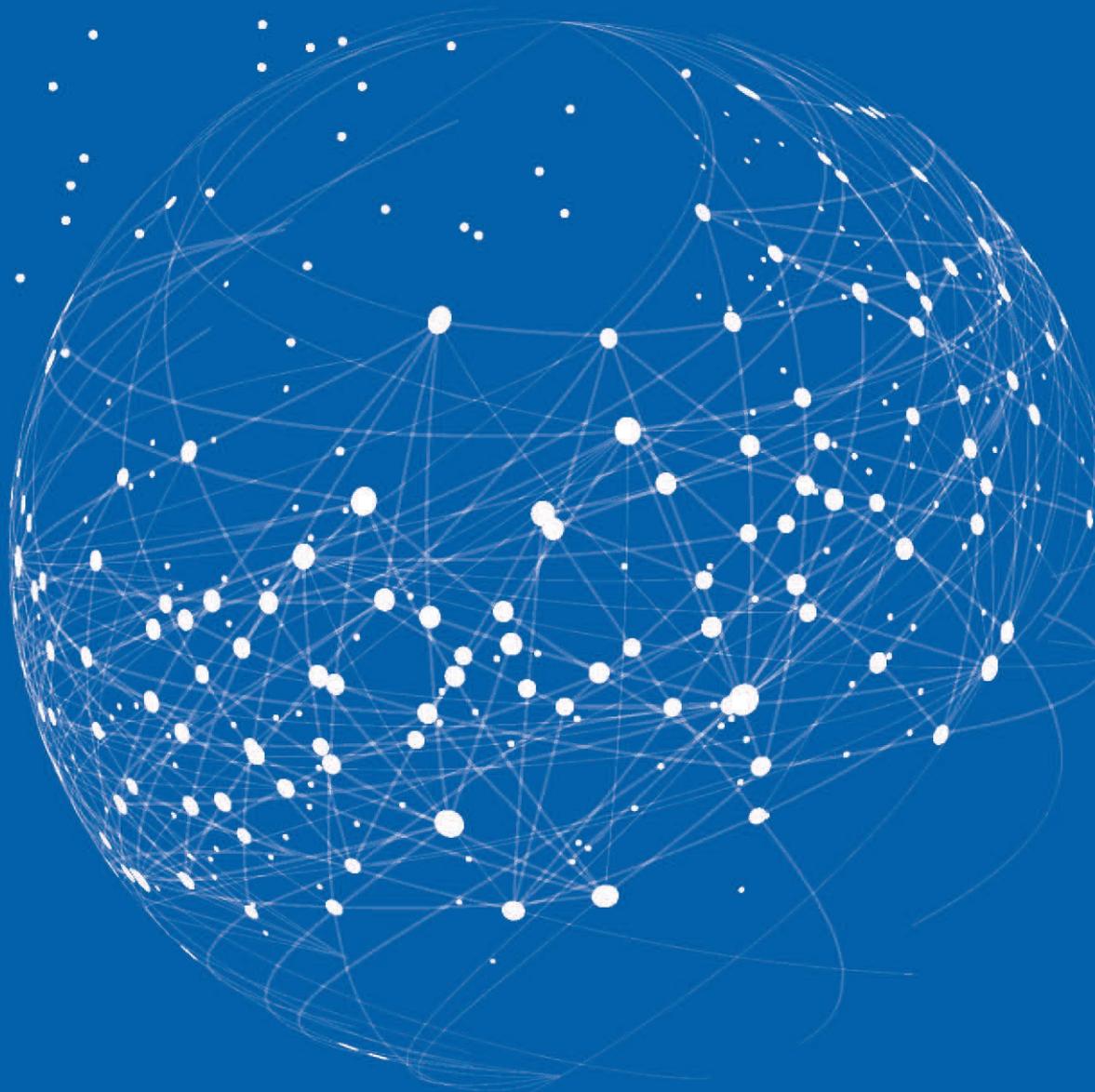
Forecast for 2021

Despite global measures to contain the pandemic and the increasing availability of vaccines, Frequentis faces a number of uncertainties in 2021. It is not possible to make a reliable estimate of the exact effect of the ongoing pandemic on costs (e.g. travel expenses), revenues (e.g. due to the deferral of project acceptances), supply chains, the budgets available, and the potential postponement of investments.

Depending on how the pandemic develops in the remaining months of the year, Frequentis aims to increase revenues and order intake in 2021 compared with 2020. Some of the increase will be attributable to the L3Harris transaction. An unchanged amount of around EUR 5 million has been earmarked for capital expenditure (capex).

Frequentis expects to report an EBIT margin of around 5-7% in 2021 – depending on how the pandemic develops and on the post-merger integration costs for the L3Harris units.

Consolidated Financial Statements as at 30 June 2021



Consolidated income statement

| | Note | 01-06/2021 EUR thousand unaudited | 01-06/2020 EUR thousand unaudited |
|--------------------------------------------------------------------------------------------------------|---------|-----------------------------------------|-----------------------------------------|
| Revenues | (5) (6) | 144,634 | 132,250 |
| Change in inventories of finished goods and work in progress | (5) | 1,781 | 480 |
| Own work capitalised | (5) | 6 | 45 |
| Other operating income | (5) | 3,246 | 3,485 |
| Profit from a business combination | (2) | 1,657 | 0 |
| Total income (operating performance) | | 151,324 | 136,260 |
| Cost of materials and purchased services | | -33,966 | -34,907 |
| Personnel expenses | | -89,094 | -80,877 |
| Other operating expenses | | -15,860 | -14,490 |
| Earnings before interest, taxes, depreciation, amortisation, and impairment losses (EBITDA) | | 12,404 | 5,986 |
| Depreciation of property, plant and equipment and amortisation of intangible assets | | -7,020 | -6,938 |
| Earnings before interest and taxes (EBIT) | (5) | 5,384 | -952 |
| Financial income | | 18 | 63 |
| Financial expenses | | -369 | -275 |
| Net change in impairment losses on financial assets | | 6 | -30,919 |
| Earnings from investments accounted for at equity | | 242 | 117 |
| Profit/loss before tax | | 5,281 | -31,966 |
| Income taxes | | -1,152 | 8,597 |
| Profit/loss for the period | | 4,129 | -23,369 |
| Profit/loss attributable to: | | | |
| Equity holders of the company | | 3,741 | -23,568 |
| Non-controlling interests | | 388 | 199 |
| | | 4,129 | -23,369 |
| Basic earnings per share | | 0.28 | -1.78 |
| Diluted earnings per share | | 0.28 | -1.78 |

Consolidated statement of comprehensive income

| Note | 01-06/2021 EUR thousand unaudited | 01-06/2020 EUR thousand unaudited |
|---------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Profit/loss for the period | 4,129 | -23,369 |
| Items that may be reclassified to the income statement in subsequent periods | | |
| Foreign currency translation | 396 | -310 |
| Measurement of cash flow hedges | -210 | 632 |
| Income taxes relating to cash flow hedges | 52 | -158 |
| Items that may not be reclassified to the income statement | | |
| Remeasurement of post-employment benefits | 175 | 1 |
| Investments accounted for at equity – amounts recognised in other comprehensive income | 0 | 0 |
| Income taxes relating to the remeasurement of defined benefit plans in other comprehensive income | -44 | 0 |
| Other comprehensive income, net of tax | 369 | 166 |
| Total comprehensive income | 4,498 | -23,203 |
| Total comprehensive income attributable to: | | |
| Equity holders of the company | 4,139 | -23,426 |
| Non-controlling interests | 359 | 223 |
| | 4,498 | -23,203 |

Consolidated statement of financial position

| ASSETS | Note | 30 June 2021 EUR thousand unaudited | 31 Dec. 2020 EUR thousand audited |
|-----------------------------------------------|------|-------------------------------------------|-----------------------------------------|
| Non-current assets | | | |
| Property, plant, and equipment | (7) | 45,333 | 46,605 |
| Intangible assets | (7) | 12,861 | 9,020 |
| Goodwill | (8) | 5,462 | 2,886 |
| Investments accounted for at equity | | 1,627 | 1,509 |
| Equity instruments | | 863 | 863 |
| Other non-current financial assets | | 243 | 228 |
| Deferred tax assets | | 1,802 | 1,092 |
| | | 68,191 | 62,203 |
| Current assets | | | |
| Inventories | | 14,393 | 12,628 |
| Trade accounts receivable | | 55,108 | 59,318 |
| Contract assets from contracts with customers | (9) | 54,291 | 38,420 |
| Contract costs | | 2,686 | 3,029 |
| Other current financial assets | | 3,368 | 2,750 |
| Other current non-financial assets | | 8,736 | 7,524 |
| Income tax receivables | | 756 | 481 |
| Time deposits | | 4,606 | 0 |
| Cash and cash equivalents | | 78,233 | 91,265 |
| | | 222,177 | 215,415 |
| Total assets | | 290,368 | 277,618 |

| LIABILITIES AND EQUITY | Note | 30 June 2021 EUR thousand unaudited | 31 Dec. 2020 EUR thousand audited |
|--------------------------------------------------------------------|-----------|-------------------------------------------|-----------------------------------------|
| Shareholders' equity | | | |
| Share capital | | 13,280 | 13,280 |
| Capital reserves | | 21,138 | 21,138 |
| Retained earnings | (10) (11) | 77,760 | 75,863 |
| Treasury shares | | -384 | 0 |
| Adjustments for foreign currency translation | | -629 | -1,053 |
| Equity attributable to equity holders of the parent company | | 111,165 | 109,228 |
| Non-controlling interests | | 3,903 | 3,751 |
| Total shareholders' equity | | 115,068 | 112,979 |
| Non-current liabilities | | | |
| Liabilities to banks and other financial liabilities | | 4,366 | 4,907 |
| Provisions | (12) | 19,237 | 17,212 |
| Lease liabilities | | 29,049 | 31,811 |
| Other non-current financial liabilities | (13) | 1,719 | 1,722 |
| Deferred tax liabilities | | 4,295 | 1,831 |
| | | 58,666 | 57,483 |
| Current liabilities | | | |
| Liabilities to banks and other financial liabilities | | 1,260 | 1,315 |
| Contract liabilities from contracts with customers | (9) | 59,512 | 62,849 |
| Trade accounts payable | | 14,460 | 11,923 |
| Lease liabilities | | 7,567 | 7,292 |
| Other current financial liabilities | (13) | 5,537 | 1,600 |
| Other current non-financial liabilities | (13) | 14,926 | 6,617 |
| Current tax liabilities | | 1,673 | 1,981 |
| Provisions | (12) | 11,699 | 13,579 |
| | | 116,634 | 107,156 |
| Total shareholders' equity and liabilities | | 290,368 | 277,618 |

Consolidated cash flow statement

| | | 01-06/2021 | 01-06/2020 |
|-------------------------------------------------------------------------------------------------------------------|------|---------------------------|---------------------------|
| | Note | EUR thousand unaudited | EUR thousand unaudited |
| Profit/loss before tax | | 5,281 | -31,966 |
| Net interest income/expense | | 259 | 212 |
| Foreign currency translation | | -230 | 45 |
| Profit/loss from the disposal of non-current assets | | 7 | 7 |
| Depreciation of property, plant and equipment, amortisation of intangible assets, and impairment loss on goodwill | | 7,020 | 6,938 |
| Earnings from investments accounted for at equity | | -242 | -117 |
| Change in provisions | (12) | -1,982 | -3,657 |
| Impairment loss on time deposits at Commerzialbank Mattersburg | | 0 | 17,995 |
| Impairment loss on current account deposits (due on demand) at Commerzialbank Mattersburg | | 0 | 12,718 |
| Impairment loss on interest receivables from Commerzialbank Mattersburg | | 0 | 205 |
| Profit from a business combination | (2) | -1,657 | 0 |
| Other non-cash income/expenses | | 165 | 67 |
| Net cash flow from operations | | 8,621 | 2,447 |
| Change in inventories | | -1,021 | -1,411 |
| Change in trade accounts receivable | | 6,567 | 7,328 |
| Change in contract assets | (9) | -13,162 | -10,642 |
| Change in contract costs | | 476 | -1,068 |
| Change in other receivables | | -1,391 | -632 |
| Change in trade accounts payable | | 2,998 | 3,485 |
| Change in contract liabilities | (9) | -5,551 | 5,258 |
| Change in other liabilities | (13) | 7,437 | 6,085 |
| Change in net working capital | | -3,647 | 8,403 |
| Interest paid | | -267 | -276 |
| Interest received | | 15 | 64 |
| Dividends received | | 124 | 0 |
| Income taxes paid/refunded | | -1,910 | 1,558 |
| Net cash flow from operating activities | | 2,936 | 12,196 |

| | 01-06/2021 EUR thousand | 01-06/2020 EUR thousand |
|--------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| | Note | unaudited |
| Cash inflows from the sale of intangible assets | | 0 |
| Cash inflows from the sale of property, plant and equipment | | 0 |
| Cash inflows from the sale of securities and equity instruments | | 6 |
| Cash outflows for the purchase of intangible assets | | -1,397 |
| Cash outflows for the purchase of property, plant and equipment | | -1,437 |
| Cash outflows for time deposits | | 0 |
| Cash outflows for the acquisition of associated companies | | 0 |
| Cash outflows for the acquisition of subsidiaries, less acquired cash and cash equivalents | | -1,849 |
| Net cash flow from investing activities | | -4,677 |
| Dividends paid to owners | (10) | 0 |
| Dividends paid to non-controlling interests | | -84 |
| Cash inflows from capital increase | | 1,324 |
| Cash outflows for transaction costs for the capital increase | | -109 |
| Purchase of treasury shares | (10) | 0 |
| Cash inflows from non-controlling interests | | 98 |
| Cash inflows from loans and other financing | | 55 |
| Cash outflows for repayment of loans and other financing | | -1,137 |
| Cash outflows for payments of principal on lease liabilities | | -3,855 |
| Net cash flow from financing activities | | -3,708 |
| Change in cash and cash equivalents: | | |
| Net cash flow from operating activities | | 12,196 |
| Net cash flow from investing activities | | -4,677 |
| Net cash flow from financing activities | | -3,708 |
| Net change in cash and cash equivalents | | 3,811 |
| Cash and cash equivalents at start of period | | 66,882 |
| Cash-flow related change in cash and cash equivalents | | 3,811 |
| Foreign currency translation | | -276 |
| Impairment loss on current account deposits (due on demand) at Commerzbank Mattersburg | | -12,718 |
| Other loss allowances | | 3 |
| Cash and cash equivalents at end of period | | 57,702 |

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) | | (10) | (10) | | | | |
| 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 |

| 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 | Foreign currency translation | Equity attributable to equity holders of the parent company | Non-controlling interests | Total shareholders' equity |
|---------------------------------------------|---------------|------------------|-----------------------------|-----------------------------|--------------------------------------|-------------------|------------------------------|-------------------------------------------------------------|---------------------------|----------------------------|
| Note | | | | (11) | | (10) | | | | |
| As at 1 January 2020 | 13,200 | 19,976 | -5,608 | 63 | -675 | 87,911 | -249 | 114,618 | 1,568 | 116,186 |
| Capital increase | 80 | 1,244 | | | | | | 1,324 | | 1,324 |
| Costs of the capital increase | | -109 | | | | | | -109 | | -109 |
| Related income taxes | | 27 | | | | | | 27 | | 27 |
| Cash inflows from non-controlling interests | | | | | | | | | 98 | 98 |
| Profit/loss for the period | | | | | | -23,568 | | -23,568 | 198 | -23,370 |
| Other comprehensive income | | | 1 | 0 | 474 | 0 | -334 | 141 | 24 | 165 |
| Total comprehensive income | | | 1 | 0 | 474 | -23,568 | -334 | -23,427 | 222 | -23,205 |
| Dividends | | | | | | -1,992 | | -1,992 | -84 | -2,076 |
| Other changes | | | | 71 | | 4 | | 75 | 0 | 75 |
| Acquisition of non-controlling interests | | | | | | | | | 1,824 | 1,824 |
| As at 30 June 2020 | 13,280 | 21,138 | -5,607 | 134 | -201 | 62,355 | -583 | 90,516 | 3,628 | 94,144 |

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 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 company'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 2020 and are not necessarily indicative of the year-end results for 2021.

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) are subject to 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 proportion 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 distributed evenly over the year. In the first half of 2021, the Group reported a profit for the period. This was attributable to successful project acceptances, which led to higher sales, 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.

2. Consolidated group

Besides Frequentis AG, which is the parent company of the consolidated group, the consolidated financial statements of Frequentis AG include 6 (31 December 2020: 6) domestic subsidiaries and 24 (31 December 2020: 23) foreign subsidiaries controlled by Frequentis AG.

Changes to the consolidated group

As at 1 January 2021, Frequentis Slovakia s.r.o. was merged into Frequentis Solutions s.r.o., and Frequentis Solutions s.r.o. was renamed Frequentis Solutions & Services s.r.o.

As at 20 May 2021, TEAM Communication Technology Management GmbH was renamed team Technology Management GmbH.

Acquisition of air traffic management (ATM) product lines from L3Harris Technologies, Inc.

On 23 February 2021, Frequentis signed an agreement to acquire civil and military ATM voice communications product lines and software and cloud solutions for air traffic optimisation (traffic synchronisation) of the US group L3Harris Technologies, Inc. (subsequently referred to as L3Harris). This transaction, which was subject to various competition clearance and regulatory approvals, comprised

- the acquisition of 100% of the shares in Harris Orthogon GmbH, Bremen, Germany (closing: 30 April 2021);
- the assumption of a customer contract between L3Harris and the British air navigation service provider (NATS) (contract transferred on 28 May 2021);
- the acquisition of the Harris ATC Solutions business unit based in Gatineau, Canada, which Harris Canada Systems, Inc. first transferred to a Canadian company established specifically for the purpose of this transaction; Frequentis then acquired all shares in the new company (closing: 28 May 2021);
- the acquisition of 100% of the shares in Harris C4i Pty. Ltd., Melbourne, Australia (closing: 30 July 2021).

This transaction expands the Frequentis ATM product portfolio. In addition to these acquisitions, L3Harris and Frequentis have entered into cooperation agreements: under these agreements, as a technology partner of L3Harris, Frequentis will provide voice communication systems for use in L3Harris' large-scale projects in the solutions and service business, where possible.

Although this acquisition comprises a single agreement, the individual transactions have been valued separately because, in principle, the acquisitions of the individual companies were not dependent on each other and took place at different times. Only the second part-payment of the basic purchase price for Harris Orthogon was due and payable simultaneously with the closing of the Harris C4i transaction. Moreover, the sellers of the individual companies in the L3Harris group were different.

Harris Orthogon GmbH

The Harris Orthogon transaction was successfully closed on 30 April 2021 with the acquisition of all shares in Harris Orthogon GmbH. This company is based in Bremen, Germany, and has been operating successfully in the air traffic control market for around 30 years. It has already been renamed Frequentis Orthogon GmbH (subsequently referred to as Orthogon). The company is an innovative provider of air traffic synchronisation solutions for en-route, approach, and airport ATC centres. Its air traffic optimisation solutions are designed, among other things, to reduce air traffic emissions.

Orthogon's solutions expand the Frequentis range of integrated air traffic management solutions. Frequentis can therefore offer an even more extensive range of products with higher performance and greater digitalisation.

The contractually agreed purchase price comprises the following components and is still subject to possible adjustments on the basis of the mechanism agreed with L3Harris (closing accounts):

| | Fair value as at 30 April 2021 USD thousand | Fair value as at 30 April 2021 EUR thousand |
|-----------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| Basic purchase price | 8,000 | 6,625 |
| Orthogon net cash | 2,056 | 1,703 |
| Target Orthogon net cash | 0 | 0 |
| | 2,056 | 1,703 |
| Orthogon working capital | 2,891 | 2,395 |
| Target Orthogon working capital | 3,591 | 2,975 |
| | -700 | -580 |
| Payments under a profit-and-loss transfer agreement | 463 | 383 |
| Total consideration | 9,818 | 8,131 |

The basic purchase price according to the purchase agreement is USD 8,000 thousand. USD 4,000 thousand of this was due at closing and had been paid at the reporting date. A further USD 4,000 thousand was due and payable with the closing of the acquisition of Harris C4i Pty. Ltd., Australia, on 30 July 2021.

The target net cash agreed in the purchase agreement is USD 0. The purchase price was increased by the company's cash and cash equivalents of USD 2,056 thousand.

The target Orthogon working capital agreed in the purchase agreement is USD 3,591 thousand. The final net cash and Orthogon working capital correspond to the closing statements to be agreed between Frequentis and L3Harris. These will be drawn up by Frequentis 60 days after the closing of the Harris C4i Pty. Ltd. transaction (which took place on 30 July 2021) and will be finalised after giving L3Harris an opportunity for review. As at the date of preparation of the interim financial statements, it is estimated that the final working capital will amount to USD 2,891 thousand. This is a provisional figure because the relevant items in the statement of financial position have not yet been finalised.

Orthogon had a profit-and-loss transfer agreement with a company in the L3Harris group. For the period from 1 January 2021 until 30 April 2021, L3Harris will therefore cover the losses incurred by Orthogon as reported in accordance with the German Commercial Code (HGB). Moreover, this increases the purchase price to be paid by Frequentis. The loss incurred in this period was already known at the reporting date but there had not been any cash flow from L3Harris to Orthogon. That took place in July 2021.

In accordance with the purchase agreement, as at the reporting date, USD 5,609 thousand had been transferred to L3Harris. The remaining estimated purchase price liability amounting to USD 4,209 thousand (EUR 3,484 thousand) is included in other liabilities.

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

| | Fair value as at 30 April 2021 EUR thousand |
|----------------------------------------------------|------------------------------------------------------|
| Intangible assets | 4,538 |
| Property, plant, and equipment | 1,237 |
| Trade accounts receivable | 1,687 |
| Contract assets | 2,667 |
| Contract costs | 133 |
| Receivable from profit-and-loss transfer agreement | 383 |
| Other assets | 68 |
| Cash and cash equivalents | 1,702 |
| Deferred tax liabilities | -1,839 |
| Non-current lease liabilities | -89 |
| Provisions for pensions | -2,183 |
| Contract liabilities from contracts with customers | -1,754 |
| Trade accounts payable | -267 |
| Current lease liabilities | -69 |
| Other liabilities | -543 |
| Other current provisions | -116 |
| Net assets | 5,555 |
| Attributable to the Frequentis Group | 5,555 |
| Goodwill | 2,576 |
| Consideration paid | 8,131 |

The goodwill from this acquisition can be allocated, in particular, to the expected synergies from the use of the Group's worldwide distribution network and the new technologies.

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

Since the acquisition, Orthogon has contributed revenues of EUR 1,320 thousand and EBIT of EUR 276 thousand to the consolidated figures of the Frequentis Group. Had the acquisition been made at the beginning of the 2021 financial year, Orthogon would have contributed revenues of EUR 3,396 thousand and EBIT of EUR -664 thousand to the consolidated figures of the Frequentis Group.

Due to time constraints, initial consolidation of all assets acquired and liabilities assumed was based on preliminary valuations and provisional figures. 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.

Assumption of the NATS contract

On 29 January 2016, Harris Corporation signed a contract with the UK air navigation service provider NATS to supply a comprehensive solution for a voice communication system and a maintenance contract.

The solution to be provided is for several hundred controller workstations at various locations and comprises hardware and software, including customisation.

In a deed of novation and a contract amendment effective at novation of the contract dated 23 February 2021, NATS (En Route) plc, L3Harris Technologies, Inc., and Frequentis AG agreed that Frequentis would take over the contract. The contract was transferred with the closing of the ATC Solutions business in Canada on 28 May 2021.

No purchase price was agreed for the NATS contract. Frequentis AG's main reason for assuming this contract was to regain NATS as a customer in order to strengthen its own market position.

Harris ATC Solutions business unit of Harris Canada Systems Inc.

The closing of the acquisition of the Harris ATC Solutions business unit from L3Harris took place on 28 May 2021. Until then, this business was part of Harris Canada Systems Inc. With a view to the transaction, Harris Canada Systems Inc. transferred it to a new company established specifically for this purpose. As at the closing date, Frequentis acquired all shares in this new company, which has already been renamed Frequentis Canada ATM Ltd.

The company has around 60 employees, who work in development and business development.

The acquisition of the ATC business unit was mainly attributable to fulfilment of the NATS contract.

The contractually agreed purchase price comprises the following components and is still subject to possible adjustments on the basis of the mechanism agreed with L3Harris (closing accounts):

| | Fair value as at 28 May 2021 USD thousand | Fair value as at 28 May 2021 EUR thousand |
|---------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Basic purchase price | 100 | 82 |
| Harris ATC Solutions net cash | 1,141 | 935 |
| Target Harris ATC Solutions net cash | 0 | 0 |
| | 1,141 | 935 |
| Harris ATC Solutions working capital | 2,512 | 2,059 |
| Target Harris ATC Solutions working capital | 3,653 | 2,994 |
| | -1,141 | -935 |
| Total consideration | 100 | 82 |

The basic purchase price of USD 100 thousand was not contingent upon any further conditions and payment has already been made.

The target Harris ATC Solutions net cash agreed in the purchase agreement is USD 0. The purchase price was increased by the company's cash and cash equivalents of USD 1,141 thousand.

The final ATC Solutions net cash and the final ATC Solutions working capital correspond to the closing statements to be agreed between Frequentis and L43Harris. These will be prepared by Frequentis 60 days after closing of the Harris C4i Pty. Ltd. transaction (which took place on 30 July 2021) and will be finalised after giving L3Harris an opportunity for review. As at the date of preparation of the interim financial statements, it is estimated that the final working capital will be USD 2,512 thousand. This is a preliminary figure because the relevant items in the statement of financial position have not yet been finalised.

In addition, in the purchase agreement it was agreed that Frequentis Canada ATM Ltd. can use the office premises free of charge until the end of May 2022.

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

| | Fair value as at 28 May 2021 EUR thousand |
|----------------------------------------------------|----------------------------------------------------|
| Property, plant, and equipment | 165 |
| Right of use of office premises | 293 |
| Inventories | 745 |
| Trade accounts receivable | 669 |
| Contract assets | 42 |
| Other assets | 9 |
| Cash and cash equivalents | 1,036 |
| Deferred tax liabilities | -99 |
| Contract liabilities from contracts with customers | -459 |
| Trade accounts payable | -55 |
| Other liabilities | -605 |
| Other current provisions | -2 |
| Net assets | 1,739 |
| Attributable to the Frequentis Group | 1,739 |
| Profit from a business combination | -1,657 |
| Consideration paid | 82 |

The fair value of the net assets acquired exceeds the value of the consideration paid because the company is expected to make an operating loss in 2021 and 2022. The profit from the business combination was recognised immediately in profit/loss. As at 30 June 2021, the operating loss (EBIT) was EUR 832 thousand.

Transaction costs incurred for the business combination were recognised in current expenses for the period. The receivables assumed were examined for collectability and recognised at fair value. The gross carrying amount is EUR 783 thousand and the cash flows that are expected to be uncollectable amount to EUR 114 thousand.

Since the acquisition, Frequentis Canada ATM has contributed revenues of EUR 78 thousand and EBIT of EUR -893 thousand to the consolidated figures of the Frequentis Group. The revenues and EBIT that would have contributed to the consolidated figures of the Frequentis Group if the acquisition had been made at the start of the 2021 financial year could not be determined because this business was only transferred to a new company on the closing date and did not constitute a separate legal entity within the L3Harris Group prior to this date.

Due to time constraints, initial consolidation of all assets acquired and liabilities assumed was based on preliminary valuations and provisional figures. 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.

Harris C4i (event after the reporting date as the transaction was closed on 30 July 2021)

Harris C4i, which is based in Melbourne, Australia, develops, manufactures, and integrates custom-tailored, mission-critical communication solutions for the defence sector around the world and will strengthen the Frequentis range of solutions for encrypted and unencrypted cyber-secure defence communications in the Australian and US markets.

Combining the Frequentis and C4i mission-critical communication platforms enables the Group to offer market-leading technology and solutions based on extensive security, compliance, and export trade processes. Frequentis is the market leader in communication systems for military air traffic control and this acquisition secures its dominant global position in the defence command & control market.

The contractually agreed purchase price comprises the following components and is still subject to possible adjustments on the basis of the mechanism agreed with L3Harris (closing accounts):

| | Fair value as at 30 July 2021 USD thousand | Fair value as at 30 July 2021 EUR thousand |
|--------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Basic purchase price | 12,000 | 10,005 |
| C4i net cash | 1,362 | 1,145 |
| Target C4i net cash | 0 | 0 |
| | 1,362 | 1,145 |
| C4i working capital | 4,218 | 3,547 |
| Target C4i working capital | 4,216 | 3,546 |
| | 2 | 1 |
| Payments due to Group taxation | -348 | -293 |
| Total consideration | 13,016 | 10,858 |

The basic purchase price of USD 12,000 thousand was not contingent upon any further conditions and was paid on 30 July 2021.

The target C4i net cash agreed in the purchase agreement is USD 0. The purchase price was increased by the company's cash and cash equivalents of USD 1,362 thousand.

The target C4i working capital agreed in the purchase agreement is USD 4,216 thousand. The final C4i net cash and the final C4i working capital correspond to the closing statements to be agreed between Frequentis and L3Harris. These will be prepared by Frequentis 60 days after closing (which took place on 30 July 2021) and will be finalised after giving L3Harris an opportunity for review. As at the date of preparation of the interim financial statements, only provisional figures were available for the determination of the provisional purchase price.

As a result of Group taxation, there is still an outstanding tax liability between Harris C4i and L3Harris. This liability of USD 348 thousand reduces the purchase price.

Since closing was on 30 July 2021, the analysis of the assets and liabilities for the purchase price allocation had only just begun during preparation of the interim financial statements. Therefore, no complete data were available on the fair values of the assets acquired and the liabilities assumed.

3. 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 2021 and were effective at that date:

- COVID-19-Related Rent Concessions (amendments to IFRS 16)
- Extension of the Temporary Exemption from Applying IFRS 9 (amendments to IFRS 4)
- Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 16)
- Annual Improvements to IFRS Standards (2018 – 2020 Cycle)

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

4. Impact of the COVID-19 pandemic

The outbreak of the COVID-19 pandemic at the start of the 2020 financial year triggered a global economic crisis. Frequentis could not completely avoid the general economic developments. However, it supplies safety-critical infrastructure, which has to be upheld and maintained even in periods of crisis. Alongside the effects described in the annual report for 2020, the COVID-19 pandemic had the following impact in the interim reporting period to 30 June 2021:

- As in 2020, travel restrictions prevented many business trips so travel expenses remained at a low level.
- Since many trade shows were also cancelled or held remotely in the first half of 2021, advertising expenses have also remained at a low level.
- In the interim reporting period, there were no defaults on receivables due to the COVID-19 pandemic because most customers are in the public sector. As in 2020, a scale factor of 1.5 was taken into account when calculating loss allowances pursuant to IFRS 9.
- Due to the COVID-19 pandemic, the Frequentis Group assessed whether there is an indication that an asset is impaired. There were no indications of impairments relating to the COVID-19 pandemic.
- In certain cases, postponement of project milestones was negotiated at the request of customers as a result of the COVID-19 pandemic. This resulted in a shift in revenues and rescheduling of payment milestones to a later date.

In the reporting period, the Frequentis Group received various types of government grants totalling EUR 281 thousand (H1 2020: EUR 371 thousand).

Notes to the consolidated income statement and statement of financial position

5. 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, digital (remote) 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 acquisitions, which have been allocated to the ATM segment, resulted in revenues of EUR 1,398 thousand and EBIT of EUR -617 thousand.

The market served by the Public Safety & Transport (PST) segment comprises public safety (police, fire, and emergency rescue services), public transport (railways), and maritime (coastguard, port operators, and organisations that monitor shipping on inland waterways). The Frequentis Group's PST segment delivers emergency management solutions for police, ambulance, and fire service organisations, search and rescue, coastal surveillance, operations communications, and incident and crisis management.

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.

| | Air Traffic Management EUR thousand | Public Safety & Transport EUR thousand | Reconciliation/ consolidation EUR thousand | Total EUR thousand |
|--------------------------------------------------------------|----------------------------------------|-------------------------------------------|--------------------------------------------------|-----------------------|
| 01-06/2021 | | | | |
| 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 a business combination | 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 |

| 01-06/2020 | Air Traffic Management EUR thousand | Public Safety & Transport EUR thousand | Reconciliation/ consolidation EUR thousand | Total EUR thousand |
|-----------------------------------------------------------------|-------------------------------------------|----------------------------------------------|--------------------------------------------------|-----------------------|
| Revenues | 89,920 | 42,330 | 0 | 132,250 |
| Change in inventories of finished goods and work in progress | 202 | 278 | 0 | 480 |
| Own work capitalised | 26 | 0 | 19 | 45 |
| Other operating income | 1,799 | 469 | 1,217 | 3,485 |
| Profit from a business combination | 0 | 0 | 0 | 0 |
| Total income (operating performance) | 91,947 | 43,077 | 1,236 | 136,260 |
| EBIT | -2,536 | 1,785 | -201 | - 952 |

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 2021, nor in 2020, did the Frequentis Group generate more than 10% of its total revenues with any single customer.

Orders on hand as at 30 June 2021 totalled EUR 452,981 thousand (30 June 2020: EUR 445,156 thousand). The ATM segment accounted for EUR 292,119 thousand (30 June 2020: EUR 280,531 thousand) of this amount and the PST segment for EUR 160,862 thousand (30 June 2020: EUR 164,625 thousand).

6. Revenues

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

| | 01-06/2021 EUR thousand | 01-06/2020 EUR thousand |
|-------------------------------------------|----------------------------|----------------------------|
| New products and/or new customer business | 57,448 | 53,694 |
| IBB (installed base business) | 82,218 | 74,181 |
| Other revenues | 4,968 | 4,375 |
| | 144,634 | 132,250 |

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

| | 01-06/2021 EUR thousand | 01-06/2020 EUR thousand |
|------------------------------|----------------------------|----------------------------|
| Europe | 101,526 | 84,297 |
| Americas | 19,918 | 22,244 |
| Asia | 12,581 | 16,761 |
| Australia/Pacific | 5,505 | 5,630 |
| Africa | 4,208 | 1,959 |
| Small orders (not allocated) | 896 | 1,359 |
| | 144,634 | 132,250 |

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.

7. Intangible assets, property, plant and equipment

The additions to intangible assets, property, plant and equipment in the first half of 2021 amounted to EUR 9,530 thousand (H1 2020: EUR 6,602 thousand). Amortisation of intangible assets and depreciation of property, plant and equipment was EUR 7,020 thousand (H1 2020: EUR 6,938 thousand).

The increase in intangible assets is mainly due to the intangible assets acquired in connection with the acquisition of Harris Orthogon GmbH.

8. Goodwill

Goodwill increased by EUR 2,576 thousand in the reporting period. This is attributable to the acquisition of Harris Orthogon GmbH.

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

| | 30 June 2021 EUR thousand | 31 Dec. 2020 EUR thousand |
|----------------------------------------|------------------------------|------------------------------|
| Systems Interface Ltd. | 194 | 194 |
| Frequentis Comsoft GmbH | 909 | 909 |
| team Technology Management GmbH | 53 | 53 |
| ATRiCS Advanced Traffic Solutions GmbH | 1,730 | 1,730 |
| Harris Orthogon GmbH | 2,576 | 0 |
| | 5,462 | 2,886 |

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 from contracts with customers and contract liabilities from contracts with customers

| | 30 June 2021 EUR thousand | 31 Dec. 2020 EUR thousand |
|-----------------------------------------------|------------------------------|------------------------------|
| Contract assets from contracts with customers | 89,754 | 53,591 |
| Advances from customers | -35,463 | -15,171 |
| | 54,291 | 38,420 |

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 2020 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 from contracts with customers. The creditworthiness of customers is carefully checked, particularly in the case of orders for which the Group makes advance payments. These orders primarily relate to work for public authorities or major international companies.

Contract liabilities from contracts with customers comprise obligations to transfer goods and 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 from contracts with customers:

| | 30 June 2021 EUR thousand | 31 Dec. 2020 EUR thousand |
|-------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Advances for customer projects | 76,907 | 62,490 |
| Advances offset against contract assets from contracts with customers | -31,838 | -12,249 |
| | 45,069 | 50,241 |
| Other contract liabilities | 7,328 | 6,546 |
| Other contract liabilities offset against contract assets from contracts with customers | -3,626 | -2,922 |
| | 3,702 | 3,624 |
| Accrued revenue for maintenance contracts | 10,486 | 8,828 |
| Liabilities for outstanding performance obligations for customer orders after final invoicing (current) | 208 | 142 |
| Liabilities for outstanding performance obligations for customer orders after final invoicing (non-current) | 47 | 13 |
| Total contract liabilities from contracts with customers | 59,512 | 62,848 |

Other contract liabilities contain contractual claims to advance payments.

10. Share capital and retained earnings

Treasury shares

At the Extraordinary General Meeting of Frequentis AG on 20 September 2019, the Executive Board was authorised, for a period of 30 months, to purchase shares in Frequentis AG pursuant to Section 65(1) No. 4 and Section 8 of the Austrian Companies Act (AktG), both via the stock market and outside the stock exchange, and to exclude the general selling possibilities of shareholders related to such purchase. Furthermore, the Executive Board was authorised to reduce the share capital by cancelling shares in Frequentis AG without a further resolution of the General Meeting.

In the first half of 2021, Frequentis repurchased a total of 15,500 treasury shares with a total value of EUR 384 thousand. The share buyback programme ended on 6 May 2021.

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

Dividend

The Annual General Meeting of Frequentis AG on 20 May 2021 passed a resolution to pay a dividend of EUR 0.15 per no-par value share entitled to the dividend for the 2020 financial year. The payment of EUR 1,990 thousand to the shareholders was made in the reporting period.

11. Share-based payment

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

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 LTIP 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 LTIP 2019, the LTIP 2020, and the LTIP 2021. In any case, the beneficiary may only sell the number of shares awarded under the LTIP 2019, the LTIP 2020, and the LTIP 2021 or any subsequent long-term incentive plans 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), assuming 100% target achievement, a maximum of 14,000 shares (LTIP 2019) or 17,000 shares (LTIP 2020 and LTIP 2021) – in each case gross, i.e., before deduction of taxes and fees – but no more than 200% of the beneficiary's annual gross base salary for the 2019, 2020, or 2021 financial year, as applicable, will be granted. Settlement is effected by transferring the number of shares corresponding to the net amount of the award to the respective securities account. Subject to the approval of the Supervisory Board, the settlement date is 30 April 2022 for the LTIP 2019, 30 April 2023 for the LTIP 2020, and 30 April 2024 for the LTIP 2021.

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 target achievement is less than 50%.

The LTIP 2019 was approved by the General Meeting on 20 September 2019 and the agreement with the Chairman of the Executive Board was signed on 30 September 2019. The agreed targets are based on the total shareholder return (TSR), organic growth of the operating performance, the EBIT margin, the profit margin, non-refinanced R&D expenses as a percentage of total operating performance, and the development of key accounts, employee satisfaction, and customer satisfaction.

The LTIP 2020 was approved by the General Meeting on 14 May 2020 and the agreement with the Chairman of the Executive Board was signed on 15 May 2020. The agreed targets are based on the total shareholder return (TSR), orders on hand, growth in the regions, and growth via acquisitions.

The LTIP 2021 was approved by the General Meeting on 20 May 2021 and the agreement with the Chairman of the Executive Board was signed on 15 June 2021. The agreed targets are based on the total shareholder return (TSR), the increase in operating performance through key accounts, and growth via new business development. Apart from the achievement of the targets, the Executive Board member does not have to provide any consideration for the shares awarded.

The following table summarises the main conditions for the share-based payment granted in the reporting period:

| | LTIP 2021 | LTIP 2020 | LTIP 2019 |
|-----------------------------|--------------|--------------|--------------|
| Start of plan | 1 Jan. 2021 | 1 Jan. 2020 | 1 Jan. 2019 |
| Grant date | 15 June 2021 | 15 May 2020 | 30 Sep. 2019 |
| End of service period | 31 Dec. 2023 | 31 Dec. 2022 | 31 Dec. 2021 |
| Vesting date | 30 Apr. 2024 | 30 Apr. 2023 | 30 Apr. 2022 |
| Expected target achievement | 95% | 100% | 86% |
| Expected number of shares | 16,150 | 17,000 | 12,012 |
| Maximum number of shares | 17,000 | 17,000 | 14,000 |
| Bonus shares allocated | None | None | None |

Of the expected total future expense relating to the LTIP, 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 as at the date of the agreement multiplied by the number of shares granted and the expected target achievement. In the reporting period, EUR 185 thousand (H1 2020: EUR 75 thousand) including payroll-related costs was recognised in personnel expenses in the consolidated statement of comprehensive income for the LTIP 2019, the LTIP 2020, and the LTIP 2021.

For the LTIP 2019, the LTIP 2020, and the LTIP 2021, it is assumed that both the market-oriented target and the non-market-oriented targets will be achieved so 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.

12. Provisions

| | 30 June 2021 EUR thousand | 31 Dec. 2020 EUR thousand |
|-------------------------------------|------------------------------|------------------------------|
| Provisions for severance payments | 15,487 | 15,395 |
| Provisions for pensions | 5,880 | 3,260 |
| Less pension insurance scheme | -3,294 | -2,696 |
| | 2,586 | 564 |
| Provisions for anniversary bonuses | 384 | 369 |
| Other provisions | 780 | 884 |
| Total non-current provisions | 19,237 | 17,212 |

The increase in provisions for pensions is mainly due to the acquisition of Harris Orthogon GmbH.

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 other non-current provisions contain provisions of EUR 645 thousand (31 December 2020: EUR 764 thousand) for projects for which provisions have to be recognised due to the excess of expected future expenses over revenues.

The other current provisions comprise:

| | 30 June 2021 EUR thousand | 31 Dec. 2020 EUR thousand |
|---------------------------------|------------------------------|------------------------------|
| Provisions for bonuses | 5,734 | 7,525 |
| Provisions for projects | 1,502 | 2,919 |
| Provisions for litigation costs | 2,603 | 1,686 |
| Other provisions | 1,860 | 1,449 |
| Total current provisions | 11,699 | 13,579 |

The provisions for bonuses contain employee bonuses and variable salary components that are not yet due for payment.

The provisions for projects contain project costs for which provisions are recognised due to the excess of estimated future expenses over revenues.

The provisions for litigation costs mainly relate to the lawsuits filed in connection with Commercialbank Mattersburg. The increase as at 30 June 2021 is principally attributable to additional court fees.

13. Other liabilities

The other liabilities comprise:

| | 30 June 2021 EUR thousand | 31 Dec. 2020 EUR thousand |
|-------------------------------------------------------------------------|------------------------------|------------------------------|
| Earn-out payment liability | 1,245 | 1,238 |
| Loans from non-controlling interests | 465 | 480 |
| Other liabilities | 9 | 4 |
| Total non-current financial liabilities | 1,719 | 1,722 |
| Purchase price liability for Harris Orthogon GmbH | 3,484 | 0 |
| Other liabilities | 1,000 | 1,203 |
| Negative fair values of cash flow hedges and MTM valuation | 1,053 | 397 |
| Total current financial liabilities | 5,537 | 1,600 |
| Accrual for holidays not yet taken | 6,372 | 2,282 |
| Advances received in connection with grants and subsidies | 3,000 | 619 |
| Liabilities to the Austrian fiscal authorities (excluding income taxes) | 2,771 | 1,614 |
| Accrual for overtime | 712 | 466 |
| Accrual for consultancy costs | 158 | 656 |
| Other liabilities | 1,913 | 980 |
| Total current non-financial liabilities | 14,926 | 6,617 |

Other information

14. 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 2021 | Measured at fair value | | | Measured at amortised cost | | Carrying amount Total |
|---------------------------------------------------------|------------------------|------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------|-----------------------------------|--------------------------|
| | Hedge accounting | Mandatory recognition at fair value through profit or loss | Equity instruments – at fair value through profit or loss | Financial assets | Other financial liabilities | |
| Financial assets | | | | | | |
| Equity instruments | | | 863 | | | 863 |
| Trade accounts receivable | | | | 55,108 | | 55,108 |
| Financial derivatives | 134 | 451 | | | | 585 |
| Other current and non-current assets | | | | 3,025 | | 3,025 |
| Time deposits | | | | 4,606 | | 4,606 |
| Cash and cash equivalents | | | | 78,233 | | 78,233 |
| Total | 134 | 451 | 863 | 140,972 | | 142,420 |
| Financial liabilities | | | | | | |
| Liabilities to banks and other financial liabilities | | | | | 5,626 | 5,626 |
| Trade accounts payable | | | | | 14,460 | 14,460 |
| Lease liabilities | | | | | 36,617 | 36,617 |
| Financial derivatives | 731 | 322 | | | | 1,053 |
| Other liabilities | | 1,378 | | | 4,825 | 6,203 |
| Total | 731 | 1,700 | | | 61,528 | 63,959 |

| 31 Dec. 2020 | Measured at fair value | | | Measured at amortised cost | | Carrying amount Total |
|---------------------------------------------------------|------------------------|------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------|-----------------------------------|--------------------------|
| | Hedge accounting | Mandatory recognition at fair value through profit or loss | Equity instruments – at fair value through profit or loss | Financial assets | Other financial liabilities | |
| Financial assets | | | | | | |
| Equity instruments | | | 863 | | | 863 |
| Trade accounts receivable | | | | 59,318 | | 59,318 |
| Financial derivatives | 12 | 1,293 | | | | 1,305 |
| Other current and non-current assets | | | | 1,673 | | 1,673 |
| Cash and cash equivalents | | | | 91,265 | | 91,265 |
| Total | 12 | 1,293 | 863 | 152,256 | | 154,424 |
| Financial liabilities | | | | | | |
| Liabilities to banks and other financial liabilities | | | | | 6,222 | 6,222 |
| Trade accounts payable | | | | | 11,923 | 11,923 |
| Lease liabilities | | | | | 39,103 | 39,103 |
| Financial derivatives | 267 | 131 | | | | 398 |
| Other liabilities | | 1,345 | | | 1,579 | 2,924 |
| Total | 267 | 1,476 | | | 58,827 | 60,570 |

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 liability relating to the acquisition of ATRiCS and the outstanding contingent consideration for the acquisition of Orthogon are 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 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 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 liability |

A further financing round for the 6.88% interest in the start-up company Altitude Angel Ltd., Reading, UK, took place in November 2020. Since there were no indications of a material change in the value of the company since the initial investment, this was once again based on the initial valuation. The Frequentis Group decided not to participate in this financing round, in which new investors participated. Consequently, its interest has decreased to 4.56%.

Financial derivatives

The carrying amount of financial derivatives 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 2021.

The following table shows the development of financial derivatives:

| 30 June 2021 | Derivative | | Average hedging rate | Cash flow hedge | | For MTM valuation | | Total |
|---------------|-------------|---------------------------------|----------------------|-------------------------|----------------------------|-------------------------|----------------------------|----------------------------|
| | Sale amount | Purchase amount EUR thousand | | Foreign currency amount | Fair value EUR thousand | Foreign currency amount | Fair value EUR thousand | |
| Sale currency | | | | | | | | Fair value EUR thousand |
| AUD | -392 | 247 | 1.59 | 0 | 0 | -392 | 0 | 0 |
| CHF | -396 | 364 | 1.09 | 0 | 0 | -396 | 3 | 3 |
| CZK | 3,260 | -125 | 26.05 | 0 | 0 | 3,260 | 2 | 2 |
| HKD | -1,400 | 156 | 9.00 | 0 | 0 | -1,400 | 4 | 4 |
| SGD | -3,422 | 2,149 | 1.59 | 0 | 0 | -3,422 | 16 | 16 |
| USD | -1,353 | 1,630 | 1.17 | 11,000 | 134 | 12,353 | 425 | 559 |
| | | 4,421 | | | 134 | | 450 | 584 |
| AUD | -4,300 | 2,651 | 1.62 | 0 | 0 | -4,300 | -54 | -54 |
| GBP | -12,858 | 14,203 | 0.91 | -9,215 | -643 | -3,643 | -93 | -736 |
| NOK | -2,908 | 269 | 10.82 | 0 | 0 | -2,908 | -16 | -16 |
| SGD | -790 | 485 | 1.63 | 0 | 0 | -790 | -8 | -8 |
| USD | -6,256 | 5,018 | 1.25 | -2,165 | -88 | -4,092 | -151 | -239 |
| | | 22,626 | | | -731 | | -322 | -1,053 |

| 31 Dec. 2020 | Derivative | | Average hedging rate | Cash flow hedge | | For MTM valuation | | Total |
|--------------|-------------|---------------------------------|----------------------|-------------------------|----------------------------|-------------------------|----------------------------|----------------------------|
| | Sale amount | Purchase amount EUR thousand | | Foreign currency amount | Fair value EUR thousand | Foreign currency amount | Fair value EUR thousand | |
| Currency | | | | | | | | Fair value EUR thousand |
| CZK | 3,700 | -344 | 10.76 | 0 | 0 | 3,700 | 6 | 6 |
| GBP | -5,377 | 6,114 | 0.88 | -26 | 0 | -5,351 | 168 | 168 |
| HKD | -2,000 | 222 | 9.01 | 0 | 0 | -2,000 | 14 | 14 |
| SGD | -4,183 | 2,628 | 1.59 | 0 | 0 | -4,183 | 66 | 66 |
| USD | -21,677 | 18,591 | 1.17 | -1,329 | 11 | 20,348 | 1,040 | 1,051 |
| | | 27,211 | | | 11 | | 1,294 | 1,305 |
| AUD | -6,355 | 3,900 | 1.63 | -397 | -7 | -5,958 | -68 | -75 |
| CHF | -627 | 577 | 1.09 | 0 | 0 | -627 | -5 | -5 |
| GBP | -8,733 | 9,482 | 0.92 | -7,828 | -173 | -906 | -4 | -177 |
| JPY | -7,092 | 55 | 128.95 | 0 | 0 | -7,092 | -1 | -1 |
| NOK | -3,500 | 324 | 10.80 | 0 | 0 | -3,500 | -8 | -8 |
| SGD | 427 | -268 | 1.59 | 0 | 0 | 427 | -7 | -7 |
| USD | -1,874 | 1,390 | 1.35 | -2,071 | -88 | 197 | -38 | -126 |
| | | 15,460 | | | -268 | | -131 | -399 |

For the carrying amount of the cash flow hedge and the carrying amount of the MTM valuation, a positive fair value of EUR 584 thousand was recognised in other receivables as at 30 June 2021 (31 December 2020: EUR 1,305 thousand), while a negative fair value of EUR 1,053 thousand was recognised in other liabilities (31 December 2020: EUR 399 thousand). When the hedged item (revenue) is realised, the amount relating to the hedging transaction recognised in other comprehensive income is reclassified to revenues.

15. Information on business relations with related parties

Transactions with associated and non-consolidated companies are not material and mainly comprise business relations in the form of deliveries 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 the annual report for 2020.

16. Significant events after the reporting date

The official closing of the acquisition of C4i Pty. Ltd. on 30 July 2021 completed the L3Harris transaction, which was signed on 23 February 2021. For further details, see note 2 "Changes to the consolidated group".

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 2021, 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 2021, 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 2021



Norbert Haslacher
Chairman
of the Executive Board



Peter Skerlan
Member
of the Executive Board



Hermann Mattanovich
Member
of the Executive Board

Financial Calendar 2021

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

Notes / Disclaimer

The terms “Frequentis” and “Frequentis Group” in this publication refer to the Group; “Frequentis AG” is used to refer to the parent company.

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

The forecasts, plans, and forward-looking statements contained in this publication are based on the knowledge and information available and the assessments made at the time that this publication was prepared. As is true of all forward-looking statements, these statements are subject to risk and uncertainties. As a result, actual events may deviate significantly from these expectations. No liability whatsoever is assumed for the accuracy of projections or for the achievement of planned targets or for any other forward-looking statements.

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