

FREQUENTIS in 2020: Very good operating result despite the pandemic

- **Strong rise in EBIT to EUR 26.8 million; revenues only slightly lower at EUR 299.4 million**
- **Order intake EUR 314.6 million; orders on hand increased to EUR 427.6 million**
- **Product portfolio broadened further through strategic investments**
- **Dividend proposal EUR 0.15 per share**

As a leading global provider of information and communication solutions for safety-critical applications, Frequentis demonstrated its robustness during the pandemic of 2020. Despite the pandemic-related restrictions, with a few exceptions, it was possible to continue business unchanged. The products supplied by Frequentis are part of the safety-critical infrastructure, in other words, the essential national infrastructure of the relevant countries. This infrastructure always has to be available and ready for operation – irrespective of the number of flights or how many times the police, fire service, and emergency rescue services are deployed. Consequently, there is continued demand for Frequentis' solutions.

Frequentis' CEO Norbert Haslacher: "In 2020, which was dominated worldwide by the pandemic, Frequentis was able to draw on its strengths in digitisation, like in project execution, and sales and marketing. In this situation, customers' high level of trust in our company paid off. Despite the pandemic-related travel restrictions, we were able to perform installations and a large proportion of project acceptances remotely. We were helped by our global presence with own locations in several countries."

The product portfolio has continued to develop: Frequentis is implementing its strategy of positioning itself increasingly as a software company by offering cloud-enabled software and through the completed and planned acquisitions. In the Public Safety & Transport segment, in particular, there is rising demand for purely software-based and private cloud solutions. In air traffic control, developments such as digital (remote) towers and flight information systems to integrate drones into commercial and military airspace are gradually becoming reality. In this area, Frequentis also works on standardisation bodies and is actively supporting the transition of the industry to greater automation and digitisation.

Acquisitions

Frequentis is broadening and diversifying its product portfolio thanks to the acquisition of ATRiCS (Air Traffic Management segment / ATM) and the equity investment in Nemergent (Public Safety & Transport segment / PST) in 2020, as well as the planned acquisition of business units of the listed US company L3Harris Technologies (L3Harris), which was announced in February 2021.

The proposed transaction with L3Harris comprises the acquisition of the product lines civil and military voice communications systems for air traffic control and the software and cloud solutions for traffic optimisation (traffic synchronisation). The traffic optimisation solutions can help reduce air traffic emissions. The planned transaction includes the acquisition of entities in Germany, Canada, and Australia, along with around 200 employees.

In addition to these acquisitions, Frequentis has signed cooperation agreements with L3Harris. As an L3Harris technology partner, Frequentis will provide voice communication systems for use in L3Harris' large-scale solutions and service business. The acquisition is expected to be completed in the second half of 2021 and is subject to competition clearance and regulatory approvals.

Since closing and thus the full consolidation of the various L3Harris entities will probably take place at different times in the second half of 2021 and will involve both transaction costs and post-merger integration costs, these entities are not expected to make a significant contribution to revenues and earnings this year. In 2022, the transaction is expected to contribute revenues of around EUR 30 million.

Order intake and orders on hand

Order intake in the Frequentis Group totalled EUR 314.6 million in 2020 (-5.7%). By contrast, orders on hand as at 31 December 2020 increased by 9.2% to EUR 427.6 million.

Development of revenues and earnings

Thanks to increased digitisation, for example, project acceptance via video conferencing, virtual customer meetings, and webinars, it was possible to hold revenues at EUR 299.4 million (-1.4%) despite the pandemic. The regional breakdown in 2020 was as follows: Europe accounted for 66% of revenues, North and South America for 16%, Asia for 11%, Australia/Pacific for 5%, and Africa for around 1%. Approximately 1% of revenues were not allocated to a region.

In view of the travel restrictions, there was a sharp drop in business trips, resulting in a reduction in travel expenses. That was a significant factor in the considerable rise in EBIT to EUR 26.8 million in 2020 (plus EUR 9.6 million) despite the COVID-19 pandemic. The EBIT margin (relative to revenues) was 9.0% in 2020, compared with 5.7% in 2019. An impairment loss was recognised for all deposits at Commerzialbank Mattersburg and the Frequentis Group posted a loss for the period of EUR 3.4 million.

Asset and capital structure

The equity ratio was 40.7% and cash and cash equivalents increased by 36.5% to EUR 91.3 million. The net cash position increased by 9.4% to EUR 85.0 million.

Frequentis' CFO Sylvia Bardach on 2020: "We achieved a very good operating result in a tough macro-economic year. Many thanks to our staff, who made a significant contribution to this success despite facing multiple challenges on an unprecedented scale." Bardach will hand over a sound financial position and good equity ratio of more than 40% to her successor, Peter Skerlan, in mid-April 2021, and will stand for election to the Supervisory Board at the Annual General Meeting on 20 May 2021.

Dividend proposal

In view of the good operating result and solid financial position, an unchanged dividend of EUR 0.15 per share will be proposed at the Annual General Meeting in May 2021.

Outlook

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.

Nevertheless, in 2021 Frequentis aims to maintain revenues and order intake at around the 2020 level, or even increase them. In view of the need to visit customer premises (e.g. for go-lives, maintenance, system upgrades, and marketing and sales activities), travel expenses, in particular, are expected to rise again. Frequentis expects to report an EBIT margin of around 5-7% in 2021 – depending on how the pandemic develops, and on the transaction, and post-merger integration costs for the planned integration of the L3Harris units.

About FREQUENTIS

Frequentis, headquartered in Vienna, is an international supplier of communication and information systems for control centres with safety-critical tasks. Such 'control centre solutions' are developed and marketed by Frequentis in the business sectors Air Traffic Management (civil and military air traffic control, air defence) and Public Safety & Transport (police, fire brigade, ambulance services, shipping, railways). As a global player, Frequentis operates a worldwide network of branches, subsidiaries and local representatives in more than 50 countries.

Products and solutions from Frequentis can be found in over 35,000 operator working positions and in approximately 150 countries. Founded in 1947, Frequentis considers itself to be the global market leader in voice communication systems for air traffic control with a market share of around 30%. In addition, the Frequentis Group's AIM (aeronautical information management) and AMHS (aeronautical message handling) systems, as well as GSM-R systems for Public Transport are industry leading global solutions.

The shares of Frequentis AG are traded on the Vienna and Frankfurt Stock Exchange under the ticker symbol FQT (ISIN: ATFREQUENT09). In 2020, the Frequentis Group had about 1,900 employees worldwide and generated revenues of EUR 299.4 million and EBIT of EUR 26.8 million.

For more information, please visit www.frequentis.com

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