FREQUENTIS

FOR A SAFER WORLD

Communication and information solutions

for a safer world

Half-year Financial Report 2020

Key figures Frequentis Group

All figures in EUR million, except where otherwise stated.

Orders	H1 2020	H1 2019	+/- in %	+/- in EUR million	2019
Order intake	171.8	133.4	+28.8%	+38.4	333.7
Orders on hand at end of period	445.2	351.8	+26.5%	+93.4	391.5

Earnings	H1 2020	H1 2019[1]	+/- in %	+/- in EUR million	2019[1]
Revenues	132.3	132.4	-0.1%	-0.1	303.6
EBITDA	6.0	2.4	>+100.0%	+3.6	30.2
EBITDA margin	4.5%	1.8%	+2.7 PP	–	9.9%
EBIT	-1.0	-3.9	+75.5%	+2.9	17.2
EBIT margin	-0.7%	-2.9%	+2.2 PP	–	5.7%
Profit/loss for the period	-23.4[2]	-2.4	>-100.0%	-20.9	12.5
Profit/loss attributable to equity holders	-23.6[2]	-2.9	>-100.0%	-20.7	11.8
Earnings per share in EUR	-1.78[2]	-0.23	>-100.0%	–	0.93

Statement of financial position	H1 2020	H1 2019[1]	+/- in %	+/- in EUR million	2019[1]
Total assets	258.1	255.5	+1.0%	+2.7	272.1
Shareholders´ equity	94.1	103.1	-8.7%	-8.9	116.2
Equity ratio	36.5%	40.3%	-3.8 PP	_	42.7%
Net cash	51.2	64.7	-20.8%	-13.5	77.8
No. of employees (average)	1,890	1,853	+2.0%	_	1,.849

Cash flow statement	H1 2020	H1 2019[1]	+/- in %	+/- in EUR million	2019[1]
Cash flow from operating activities	12.2	-6.1	–	+18.3	17.7
Cash flow from investing activities	-4.7	-9.0	+48.1%	+4.3	-4.6
Cash flow from financing activities	-3.7	16.7	–	-20.4	8.0
Cash and cash equivalents at end of period	57.7	47.2	+22.2%	+10.5	66.9

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

[1] Initial application of IFRS 16 (Leases) from 1 January 2019 (↗ Annual Report 2019, Note 41 to the consolidated financial statements)

[2] The impact of the impairment loss on the deposits at Commerzialbank Mattersburg on the loss for the first half of 2020 was EUR 23.2 million (including the income tax effect). Excluding this impairment, the loss in the first half of 2020 would have been EUR 0.2 million and earnings per share would have been EUR -0.03.

Preface

Ladies and gentlemen,

In the first six months of 2020, both people and the global economy were firmly in the grip of the COVID-19 pandemic and its detrimental effects. However, staff at the Frequentis Group did not allow this to deter them and took the right steps to defy the crisis with a combination of digital innovations and determination.

Our business continued on the usual scale. We are satisfied with our operating performance in the first half of 2020 in comparison with the first half of 2019:

- Order intake increased by 28.8% to EUR 171.8 million
- Orders on hand amounted to EUR 445.2 million at end-June 2020
- Revenues were almost unchanged at EUR 132.3 million
- EBITDA more than doubled to EUR 6.0 million (H1 2019: EUR 2.4 million)
- EBIT improved by 75.5% to EUR -1.0 million (H1 2019: EUR -3.9 million)
- Excluding the one-off impact of the impairment loss due to the insolvency of Commerzialbank Mattersburg, the loss for the period was EUR 0.2 million (H1 2019: loss of EUR 2.4 million)
- The equity ratio could be maintained at 36.5% at end-June 2020

Further year-to-date highlights:

- Our employee participation programme 2020 had a high take-up of over 35% of eligible employees, bringing proceeds of just over EUR 1 million
- Acquisition of 51% of ATRiCS, Germany; fully consolidated from 1 April 2020
- The virtual Annual General Meeting went well; resolution to pay a dividend of EUR 0.15 per share
- Acquisition of a 15% shareholding in Nemergent, Spain, enhancing access to new possibilities for safety-critical broadband communication (LTE), in August 2020

When assessing Frequentis' business model, it should be borne in mind that 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. Consequently, there is continued demand for our products and services, as shown by the increase in order intake.

To serve our customers, we have been using digital marketing activities such as webinars and online demonstration rooms. We also introduced a "Sales Goes Digital" initiative to secure order intake. This proved effective, as evidenced by the increase in order intake to EUR 171.8 million in the first six months of 2020 (+28.8% compared with the first half of 2019). For 2020 as a whole, Frequentis anticipates that order intake will be relatively balanced between the two halves of the year – unlike the trend in the past, the second six months will not necessarily be stronger than the first half.

As at 30 June 2020, orders on hand amounted to EUR 445.2 million, an increase of 13.7% or EUR 53.7 million compared with year-end 2019 (EUR 391.5 million). Thanks to the good order situation and the efforts to use digitisation to deliver projects, Frequentis has been – and still is – working at full capacity despite the pandemic.

To optimise management of the pandemic, we have had an internal coronavirus crisis team since March 2020. As well as extensive measures in the areas of health & safety and facility management, our response to the travel restrictions included selective use of our strength in digitisation. In this context, we benefited from high customer confidence: despite the travel restrictions we were able to continue a high proportion of projects remotely (via video conferencing).

For many years, our corporate culture has permitted mobile working practices (working from home or on-site at customers' premises), so both employees and the existing IT infrastructure handled the complete shift to working from home very well.

All of these measures and initiatives enabled us to generate revenues of EUR 132.3 million in the first six months of 2020 (H1 2019: EUR 132.4 million). The reduction in business travel also reduced travel expenses. This made a significant contribution to the considerable increase in EBITDA to EUR 6.0 million (H1 2019: EUR 2.4 million), as well as the improvement in EBIT to EUR -1.0 million (H1 2019: EUR -3.9 million).

In August 2020, we intensified our collaboration with Nemergent, a young Spanish company based in Bilbao, by taking a 15% shareholding in this company. Our bundled software and technology expertise will allow better use to be made of the opportunities for safety-critical broadband communication offered by the LTE mobile communications standard. By acquiring ATRiCS and the shareholding in Nemergent, Frequentis is continuing to drive forward and broaden its product portfolio.

Frequentis has engaged a team of lawyers for the Commerzialbank Mattersburg case which is evaluating all legal options in order to protect the interests of Frequentis in the best possible manner. Such evaluation includes the possible assertion and prosecution of potential claims against involved legal entities, organisations, and persons. From today's perspective, this may take a significant period of time.

The ongoing COVID-19 pandemic entails risks, so there are still uncertainties in the current year. It is not possible to make a reliable estimate of the exact effect on our costs (e.g. travel expenses), or on project acceptances, supply chains, the budgets available, and the potential postponement of investments.

Although it is not possible to forecast how the pandemic will develop, Frequentis is striving to roughly maintain or even increase revenues and order intake in 2020 as a whole.

Vienna, 17 August 2020

Best regards,

Norbert Haslacher Chairman of the Executive Board	Sylvia Bardach Member of the Executive Board	Hermann Mattanovich Member of the Executive Board

The share

Employee participation programme 2020

The employee participation programme 2020 was a key step in long-term retention of company staff. Participation by the approximately 1,300 eligible employees in Austria and Germany was high: around 35% (approximately 460 employees) are now shareholders. The programme entitled eligible employees to purchase shares in Frequentis at a discount of 20% to the closing price on the Vienna Stock Exchange on 4 May 2020. 80,000 new shares were issued, and the gross proceeds received by Frequentis were EUR 1.3 million. After deduction of the employee discount, the proceeds were over EUR 1 million. Since May 2020, there have been a total of 13,280,000 shares in circulation.

The shareholder structure of Frequentis AG as at end-June 2020 is as follows: the core shareholder, Johannes Bardach, has a shareholding of around 68% (approximately 8% held directly and approximately 60% held indirectly via Frequentis Group Holding GmbH), B&C Innovation Investments GmbH has a shareholding of less than 10%, and the free float is around 22%. For further information on the share, including a price chart, see www.frequentis.com/en/ir > Share.

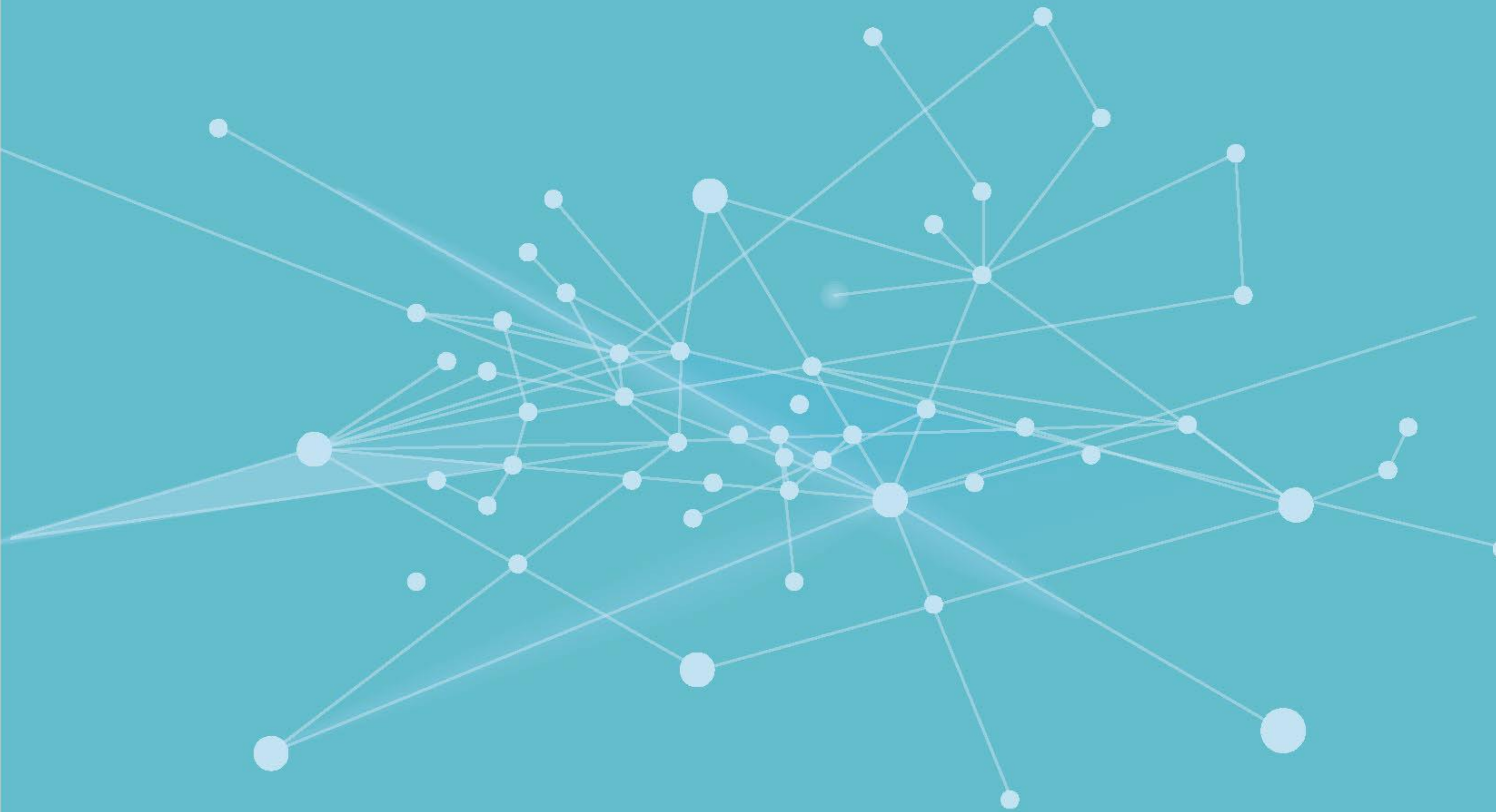
Dividend and own shares

The Annual General Meeting on 14 May 2020 resolved to pay a dividend of EUR 0.15 per share for the 2019 financial year. As a result, about EUR 2.0 million will be paid out in November 2020. The payment is contingent upon the legal permissibility on the payment date. The payout ratio for the 2019 financial year is therefore 15.8% (based on the profit for 2019), compared with 11.2% for 2018 (dividend of EUR 0.10 based on the profit for 2018). The dividend yield is 0.8%, based on the closing price of EUR 19.85 on the Vienna Stock Exchange at the end of December 2019.

Frequentis' dividend policy is currently to pay out around 20-30% of adjusted profit of the Frequentis Group after tax each year – bearing in mind the annual ceiling of approximately 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).

As at 30 June 2020, Frequentis AG did not hold any treasury shares (own shares).

Group Management Report as at 30 June 2020



Economic environment

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. 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 has to be upheld and maintained even in periods of crisis.

In light of the widespread outbreak of COVID-19, the International Monetary Fund (IMF) has revised the forecast issued in January 2020 that the global economy would grow by 2.9% in 2020. In its World Economic Outlook Update of June 2020, it anticipates that global economic output will decline by 4.9% in 2020, followed by growth of 5.4% in 2021. The IMF stresses that this forecast is subject to greater uncertainty than usual. Apart from the development of the pandemic, economic development depends on financial conditions (including access to credit and the level of interest rates).

The report assumes that the US economy will contract by 8.0% in 2020, followed by growth of 4.5% in 2021. For the euro-zone economies, the IMF anticipates a somewhat sharper trend, with a drop of 10.2% in 2020, followed by growth of 6.0% in 2021. Looking at the largest euro-zone economies, Germany is expected to experience the lowest reduction in economic output, with a drop of 7.8%, whereas declines of more than 12% are forecast for France, Italy, and Spain. The growth rates predicted for 2021 are 5.4% for Germany, 6.3% for Italy and Spain, and 7.3% for France. The forecast for the UK is around the same level as for the euro zone with a decline of 10.2% in 2020 and growth of 6.3% in 2021.

Compared with the global development, a decline of just 0.8% is forecast for the emerging markets and developing countries in Asia in 2020, while growth of 7.4% is anticipated for 2021. The projected growth rate for China is above-average at 1.0% for 2020 (2021: 8.2%), while the projection for India is -4.5% for 2020 (2021: 6.0%).

The IMF assumes a contraction of 9.4% in Latin America in 2020 (2021: growth of 3.7%). The forecast for Brazil in 2020 is -9.1% (2021: 3.6%), while for Mexico it is -10.5% (2021: 3.3%).

The projection for the Middle East and Central Asia is -4.7% for 2020 (2021: 3.3%).

Business performance

The Frequentis Group's business performance is subject to seasonal fluctuations during the year. This is due to its customer structure (mainly public authorities and government-related businesses that often only use their budgets for the current year in the fourth quarter), and the nature of project business.

Order intake and project acceptances 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. For 2020 as a whole, Frequentis anticipates that order intake will be relatively balanced between the two halves of the year. This restricts the comparability of the half-year figures and the ability to use them to project the full-year performance.

There are differences in the focus of investment in safety-critical infrastructure, depending on the investment priorities of individual countries. This has an impact on the Frequentis Group insofar as such priorities are reflected in the two segments. Globally, Frequentis is so diversified across its two segments and the various regions that this is largely offset in the aggregate view, which is reflected in its growth path. The need for investment results from expansion of existing facilities, pressure on customers to enhance efficiency, regulatory requirements, and technical progress.

Impact of COVID-19

The COVID-19 pandemic has triggered a global economic crisis. Frequentis cannot completely avoid general economic developments. However, it supplies safety-critical infrastructure, which has to be upheld and maintained even in periods of crisis. The increase in orders received in the first six months of 2020 shows that products and solutions from Frequentis are still in demand.

With a few exceptions, it was possible to continue business unchanged despite the restrictions. Since Frequentis staff had performed many activities on a mobile basis in the past, switching to fully remote working (e.g. from home) was possible without major difficulties (with the exception of manual work performed on-site at some locations or on customers' premises). Consequently, no significant investment in the IT infrastructure was necessary. Since travel outside the countries in which the Frequentis Group has sites was almost impossible, several customer acceptance procedures were performed using video conferencing.

Project acceptances under COVID-19

Despite the travel restrictions, it was possible to conduct a fair proportion of project acceptances remotely. Together with customers, Frequentis' project teams found new digital ways of performing installations and project acceptance. On-site acceptance, systems upgrades, testing, and training were carried out remotely or in special two-person teams (one person on the customer's site and one in a Frequentis office). Frequentis is well-positioned for this through its local teams, for example, in the USA, Australia, Brazil, China, the UK, and Germany. Virtual project acceptance resulted in lower travel expenses.

Certain activities such as the installation and go-lives of new systems were – and still are – only possible in those countries where Frequentis has its own locations or where travel by Frequentis staff is possible. This means that some systems could not yet be (fully) installed and accepted by customers, resulting in a temporary shift in revenues.

Acquisition of ATRiCS

In March 2020, Frequentis acquired a 51% stake in ATRiCS, which is based in Freiburg, Germany. ATRiCS was established in 2002 and is an owner-run company. It offers airport-specific software solutions for runway taxi operations management as well as consultancy services for airports and air traffic control organisations – to improve safety and increase airport capacity. This acquisition enables the Frequentis Group to significantly extend the technology it offers. ATRiCS has been fully consolidated by the Frequentis Group since the start of April 2020.

Insolvency of Commerzialbank Mattersburg

Pursuant to the notification of the Austrian Financial Market Authority dated 14 July 2020, Commerzialbank Mattersburg im Burgenland AG (Commerzialbank Mattersburg) was prohibited by decree with immediate effect from continuing its business operations and an auditor was appointed as government commissioner. Hence, the bank is also prohibited from paying out any deposits.

At that time, Frequentis had deposits in the amount of EUR 30.9 million with Commerzialbank Mattersburg and declared the entire amount due against Commerzialbank Mattersburg on 16 July 2020. This declaration was also addressed to the government commissioner appointed by the Austrian Financial Market Authority. As expected, Frequentis received a negative response thereto on 17 July 2020. From Einlagensicherung AUSTRIA Ges.m.b.H., which is the protection entity for Austrian credit institutions pursuant to the Austrian Deposit Protection and Investor Compensation Act, Frequentis received EUR 100 thousand on 24 July 2020.

On 27 July 2020, the Austrian Financial Market Authority filed an application for the opening of insolvency proceedings in respect of the assets of Commerzialbank Mattersburg with the Regional Court Eisenstadt. The opening of such insolvency proceedings in respect of the assets of Commerzialbank Mattersburg was announced on 28 July 2020. In an interim report dated 24 July 2020, the government commissioner appointed by the Austrian Financial Market Authority stated that, according to an interim status report, Commerzialbank Mattersburg was mathematically over-indebted at the time when Austrian Financial Market Authority prohibited its business operations. The entire amount of Frequentis' claim was filed in the insolvency proceedings on 29 July 2020.

Frequentis has engaged a team of lawyers which is evaluating all legal options in order to protect the interests of Frequentis in the best possible manner. Such evaluation includes the possible assertion and prosecution of potential claims against involved legal entities, organisations, and persons. From today's perspective, this may take a significant period of time.

As a result of the insolvency, an impairment loss in the amount of EUR 30.9 million was recognised on Frequentis' bank balances due on demand as well as on its time deposits at Commerzialbank Mattersburg and recorded in other financial results.

Order intake

Order intake in the Frequentis Group increased by EUR 38.4 million (28.8%) from EUR 133.4 million in the first half of 2019 to EUR 171.8 million in the first half of 2020. For 2020 as a whole, Frequentis anticipates that order intake will be relatively balanced between the two halves of the year.

The distribution of order intake between the two segments in the first six months of 2020 was as follows: Air Traffic Management 68% (H1 2019: 60%), Public Safety & Transport 32% (H1 2019: 40%).

In response to the restrictions resulting from the COVID-19 pandemic, Frequentis introduced a range of measures such as digital marketing via webinars and online demonstration rooms. The aim of the "Sales Goes Digital" initiative is to secure orders for Frequentis.

Highlights of order intake in the Air Traffic Management segment

The Air Traffic Management segment was able to gain further attractive orders. These include supplying a voice communications solution for the Spanish air navigation service provider ENAIRE, which covers one of the widest areas in Europe, and an order from the Danish air navigation service provider Naviair for a digital (remote) tower solution.

Installed base business in the Defence business domain is developing positively and follow-on orders were acquired, especially for programmes in Europe.

Highlights of order intake in the Public Safety & Transport segment

Within the Public Safety & Transport segment, the Public Safety business domain received an order to deliver a communication system for the police and fire service control centres in Hamburg, extending its market leadership with the emergency services in Germany.

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, an order for renewal of the Swedish coastal radio system, awarded in July 2020, testifies to Frequentis' strong presence in northern Europe.

Orders on hand

As at 30 June 2020, orders on hand amounted to EUR 445.2 million, an increase of 13.7% or EUR 53.7 million compared with year-end 2019 (EUR 391.5 million). The Air Traffic Management segment accounted for around 63% of total orders on hand (December 2019: 60%) and the Public Safety & Transport segment for 37% (December 2019: 40%).

Revenues and operating performance

Revenues declined by 0.1% to EUR 132.3 million in the first half of 2020. The Air Traffic Management segment reported a drop in revenues to EUR 89.9 million (-2.9%) while revenues in the Public Safety & Transport segment increased by 6.4% to EUR 42.3 million.

In the first half of 2020, the Air Traffic Management segment accounted for 68% of Group revenues (H1 2019: 70%) and the Public Safety & Transport segment accounted for 32% (H1 2019: 30%). Looking at the regional revenue split, in the first half of 2020 Europe accounted for 64% (H1 2019: 58%), the Americas for 17% (20%), Asia for 13% (14%), Australia/Pacific for 4% (6%), and Africa for 1% (2%). 1% (<1%) of revenues were not allocated to a region.

Operating performance declined by 1.6% to EUR 136.3 million.

Earnings

The cost of materials and purchased services decreased by 9.1% to EUR 34.9 million (H1 2019: EUR 38.4 million). Personnel expenses increased by 4.0% to EUR 80.9 million (H1 2019: EUR 77.8 million), principally due to wage and salary rises and the increase in the number of employees. Taking the cost of materials and purchased services and personnel expenses together, there was a year-on-year decline of 0.3% in the first half of 2020. We therefore managed to minimise the impact of the COVID-19 pandemic through appropriate management of projects (e.g. through virtual project acceptances) and generated roughly the same level of revenues with the same absolute expenses.

The other operating expenses dropped to EUR 14.5 million (H1 2019: EUR 19.9 million). This decline was mainly attributable to a reduction in travel expenses; see Note 7 to the consolidated interim financial statements.

The reduction in travel expenses is related to the travel restrictions due to COVID-19 and the widespread switch to project acceptance via video conferencing. The travel restrictions also led to a reduction in advertising expenses due to the cancellation of trade shows. It should be noted that there will not be a reduction in travel expenses on the same scale in subsequent quarters because business travel remains vital for sales activities, on-site acceptance, and training.

EBITDA (earnings before interest, taxes, depreciation, and amortisation) improved from EUR 2.4 million in the first half of 2019 to EUR 6.0 million in the reporting period. As a result, the EBITDA margin (relative to revenues) was 4.5%, compared with 1.8% in the prior-year period.

Depreciation and amortisation increased by EUR 0.7 million to EUR 6.9 million.

In line with the normal business pattern during the year, EBIT was negative at the end of the first six months, but nevertheless improved by EUR 2.9 million year-on-year to EUR -1.0 million (H1 2019: EUR -3.9 million).

The financial result dropped to EUR -31.1 million (H1 2019: EUR -0.2 million). This change was almost entirely due to the impairment loss of EUR 30.9 million on bank deposits as a result of the insolvency of Commerzialbank Mattersburg, which was recognised in other financial results. Unlike the position in the prior-year period, financial income no longer includes interest income from Commerzialbank Mattersburg.

Income from investments accounted for at equity increased to over EUR 0.1 million in the first half of 2020 (H1 2019: less than EUR 0.1 million).

Income tax income rose to EUR 8.6 million in the first half of 2020 (H1 2019: EUR 1.6 million). The principal reason for this was the recognition of deferred tax assets in connection with the impairment loss on the deposits at Commerzialbank Mattersburg.

The Group reported a loss for the period of EUR 23.4 million, compared with a loss of EUR 2.4 million in the first half of 2019. The impact of the impairment loss on the deposits at Commerzialbank Mattersburg on the loss for the period was EUR 23.2 million (including the tax effect). Without this, the loss for the period would have been EUR 0.2 million.

Earnings per share were EUR -1.78 in the first half of 2020 (EUR -0.03 without the impact of the above impairment loss), compared with EUR -0.23 in the first half of 2019.

Employees

The headcount increased by 2.0% to an average of 1,890 employees in the first half of 2020 (H1 2019: 1,853 employees).

Asset and capital structure

Total assets decreased by 5.2% to EUR 258.1 million, compared with EUR 272.1 million at year-end 2019. This was partly due to the impairment loss on the deposits at Commerzialbank Mattersburg. The equity ratio could be maintained at 36.5% (year-end 2019: 42.7%), despite the impairment loss on the deposits at Commerzialbank Mattersburg. Equity declined from EUR 116.2 million at year-end 2019 to EUR 94.1 million as at 30 June 2020, mainly as a result of this impairment loss.

The net cash position (cash and cash equivalents and time deposits less liabilities to banks and other financial liabilities) was EUR 51.2 million as at 30 June 2020, which was below the net cash position of EUR 77.8 million recorded at year-end 2019.

Non-current assets amounted to EUR 68.5 million as at 30 June 2020 (year-end 2019: EUR 71.5 million). The main items here were property, plant and equipment, which totalled EUR 45.1 million (year-end 2019: EUR 48.2 million) and intangible assets, which totalled EUR 10.2 million (year-end 2019: EUR 7.6 million).

Current assets amounted to EUR 189.7 million (year-end 2019: EUR 200.6 million). The principal items here are cash and cash equivalents, which amounted to EUR 57.7 million (year-end 2019: EUR 74.9 million, including time deposits), trade accounts receivable of EUR 52.8 million (year-end 2019: EUR 58.5 million), and contract assets from contracts with customers of EUR 49.3 million (year-end 2019: EUR 38.4 million).

Around 70% of the cash and cash equivalents of EUR 57.7 million as at end-June 2020 were deposited with nine system-relevant major banks in Austria and Germany. The remaining amount (approximately 30%) was deposited with more than 15 other banks in Europe, Australia, Asia, and the Americas.

On the liabilities side, the main item was equity of EUR 94.1 million (year-end 2019: EUR 116.2 million). Non-current liabilities were EUR 55.0 million (year-end 2019: EUR 58.9 million). The biggest item here was non-current lease liabilities, which totalled EUR 29.8 million.

Current liabilities amounted to EUR 108.9 million (year-end 2019: EUR 97.1 million), and mainly comprised contract liabilities from contracts with customers of EUR 54.3 million (year-end 2019: EU 48.7 million), other current liabilities of EUR 19.1 million (year-end 2019: EUR 11.2 million), and trade accounts payable of EUR 16.5 million (year-end 2019: EUR 13.5 million).

Cash flow

The cash flow from operations improved from EUR 1.7 million to EUR 2.4 million in the first half of 2020. After factoring out the impact of the impairment loss on the deposits at Commerzialbank Mattersburg, in line with EBITDA and EBIT, there was an improvement in the pre-tax loss in the first half of 2020. This is also reflected to a large extent in the cash flow from operations.

The cash flow from operating activities increased from EUR -6.1 million to EUR 12.2 million in the first half of 2020. In particular, the reduction in trade accounts receivable and the increase in contract liabilities had a positive effect on the cash flow. This was countered by an increase in contract assets.

The cash outflow for investing activities was EUR 4.7 million in the first half of 2020, compared with an outflow of EUR 9.0 million in the prior-year period. Capital expenditure was EUR 2.8 million, which was above the prior-year level of EUR 2.1 million. EUR 1.8 million was spent on the acquisition of ATRiCS.

The cash outflow for financing activities was EUR 3.7 million in the first half of 2020, compared with an inflow of EUR 16.7 million in the first half of 2019. The reduction was mainly due to the cash inflow from the capital increase. While the IPO in May 2019 resulted in an inflow of EUR 21.6 million in the first half of 2019, the inflow from the capital increase for the employee participation programme in May 2020 was EUR 1.3 million (gross proceeds).

The overall cash flow in the reporting period was therefore EUR 3.8 million (H1 2019: EUR 1.5 million). Cash and cash equivalents were EUR 57.7 million as at 30 June 2020 (30 June 2019: EUR 47.2 million).

Business relations with related parties

Information on business relations with related parties can be found in the notes to the consolidated interim financial statements.

Segment performance

Air Traffic Management

Revenues in the Air Traffic Management segment fell by 2.9% year-on-year to EUR 89.9 million in the first half of 2020 (H1 2019: EUR 92.6 million). EBIT was EUR -2.6 million (H1 2019: EUR -5.4 million).

There were several highlights in the operating business. Examples are project acceptances in Vienna and Melbourne as part of the Australian OneSky project, with the German Armed Forces, and in Switzerland.

Two assignments of strategic importance are Frequentis' involvement in the AIRlabs Austria innovation lab research project and the declaration of intent on extending the cooperation with defence and security sensor specialist Hensoldt on the next generation of integrated drone defence systems. The two companies are currently working together on the FALKE research project.

Public Safety & Transport

Revenues in the Public Safety & Transport segment increased by 6.4% to EUR 42.3 million (H 2019: EUR 39.8 million). EBIT improved from EUR 1.2 million in the first half of 2019 to EUR 1.8 million in the first half of 2020.

A highlight in the Public Safety business domain was the remote acceptance of a major project for the Norwegian safety network Nødnett.

The Public Transport business domain achieved key milestones in rail projects in Central and Eastern Europe, including remote acceptance in some cases.

In the Maritime business domain, the important acceptance for the GMDSS (Global Maritime Distress and Safety System) for Greenland was conducted remotely.

Of strategic importance is the order received by a consortium led by Frequentis for phase 2 of the innovative European investment procurement programme BroadWay for the use of LTE/5G for safety-critical broadband communication.

Opportunity and risk management

For information on opportunities and risks, please refer to page 84f of the Annual Report 2019. The points outlined below provide supplementary information and explanations.

Risks relating to COVID-19

The COVID-19 (coronavirus) pandemic could continue to have a negative impact on the economic development in the markets in which Frequentis operates and adversely affect the company's business performance. Among other things, as has been seen in connection with the spread of coronavirus, restrictions on freedom to travel, immigration bans, quarantine requirements, reductions in flight schedules, and the associated reduction in the number of flights, and restrictions on the production of goods and services could have a detrimental effect on the development of the markets served by Frequentis.

The measures listed could result, for example, in delays in the acceptance of products on site or in local acceptance by customers or make such acceptance impossible for an indefinite period. There could also be logistics and supply problems, resulting in supply chain bottlenecks. Customers' investment budgets could be cut back, and customers could be less willing to take decisions as a result of the uncertainty.

The extent and duration of the impact of coronavirus on the global economy and, in particular, the markets served by Frequentis are unclear at present.

Action taken in connection with COVID-19

To manage the effects of COVID-19 as efficiently as possible, there has been an internal coronavirus crisis management team since March 2020. This comprises representatives of the areas listed below. In addition to the requirements imposed/recommended by national authorities, the following measures have been taken:

- Health & safety: Travel bans for destinations affected, installation of hand sanitisers, compliance with social distancing rules, obligatory wearing of face masks at sites
- External and internal communications: Establishment of a Group-wide email address for all questions and suggestions, coronavirus infopoint in the intranet, introduction of an internal traffic light system
- IT and facility management: Keeping the IT infrastructure operating, limiting the number of people per room/per department at the company's offices (switch to working from home / mobile working), installation of signs
- HR and legal: Survey at several sites on working from home
- Business continuity: Driving forward project acceptance via video conferencing, implementation of the "Sales Goes Digital" initiative, special project committees for additional project monitoring
- Subsidiaries: Focus on mutual knowledge transfer, implementation of Group-wide measures

Measures adopted with respect to Commerzialbank Mattersburg

So far, the Executive Board has implemented the following measures, see also interim consolidated financial statements note 8:

- Full amount of Frequentis' claims against Commerzialbank Mattersburg from the deposits declared due on 16 July 2020; negative response received on 17 July 2020
- EUR 100,000.00 received from Einlagensicherung AUSTRIA Ges.m.b.H. on 24 July 2020.
- Impairment loss in the amount of EUR 30.9 million was recognised on Frequentis' bank balances due on demand as well as on its time deposits at Commerzialbank Mattersburg and recorded in other financial results
- Engagement of a team of lawyers which is evaluating all legal options in order to protect the interests of Frequentis in the best possible manner. Such evaluation includes the possible assertion and prosecution of potential claims against involved legal entities, organisations, and persons
- Filing the entire amount in the insolvency proceedings of Commerzialbank Mattersburg
- Filing of a statement of facts as well as participation as a private party in the criminal proceedings

Evaluation of risk management

In July 2020, the Executive Board asked the auditor, BDO, to evaluate the risk management with respect to C rule 83 of the Austrian Corporate Governance Code.

In August 2020, BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft confirmed the functioning and appropriateness of Frequentis' risk management system in accordance with C rule 83 of the Austrian Corporate Governance Code.

Outlook

In the first half of 2020, which was dominated at all companies by the COVID-19 pandemic, Frequentis was able to utilise its strengths in digitisation. In this context, it benefited from customers' high confidence in the company, and the fact that installations and a considerable proportion of project acceptances could be performed remotely, despite the travel restrictions. Moreover, for many years Frequentis' corporate culture has permitted mobile working practices (working from home or on-site at customers' premises), so both employees and the existing IT infrastructure handled the complete shift to working from home very well.

Certain activities such as the installation and go-lives of new systems were – and still are – only possible in those countries where Frequentis has its own locations (including the USA, Australia, Brazil, China, the UK, and Germany), or where travel by Frequentis staff is possible. This means that some systems could not yet be (fully) installed and accepted by customers, resulting in a temporary shift in revenues.

The products supplied by Frequentis are part of the safety-critical infrastructure, 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. Consequently, there is still demand for these products and services, as the increase in order intake shows.

Here is an overview of the development of orders in the two segments: Most customers in the Air Traffic Management segment are civil and military air traffic control organisations and flight information services. Only a small proportion are airports and airlines. Even during the pandemic, major orders have been secured. Examples are an order from the Spanish air navigation service provider ENAIRE, which covers one of the widest areas in Europe, and an order from the Danish air navigation service provider Naviair for a digital (remote) tower solution. Further installations of this type are already in operation or currently being implemented in countries including Germany, the UK, Brazil, New Zealand, and the USA. This confirms that the decision to invest in this growth market was right.

One future-oriented market where Frequentis is investing is drone management to support safe and efficient integration of drones into the airspace. For example, the Norwegian air traffic control organisation Avinor has placed an order with Frequentis for an unmanned traffic management (UTM) system. Frequentis will be implementing this UTM solution with its British partner Altitude Angel. As a recognised innovation leader in information systems for safety-critical applications, Frequentis' strategic goal is to make new technologies available for use as quickly as possible. This order from Norway confirms our leading position in the field of drone management.

Within the Public Safety & Transport segment, the Public Safety business domain received an order to deliver a communication system for the police and fire service control centres in Hamburg. This extends its market leadership with the emergency services in Germany. The latest software platform will be used for Hamburg. In addition to telephony and digital radio, the new communication system will allow the use of interactive use of modern multimedia information in control centres, e.g. via social networks or messenger services and related apps.

In the Public Transport business domain, orders were mainly secured from the installed base in Europe. In the Maritime business domain, an order for renewal of the Swedish coastal radio system testifies to Frequentis' strong presence in northern Europe.

Capital expenditure (capex) of around EUR 5 million is planned for 2020. The expenses for in-house research & development activities, in other words R&D that is not based on customer orders, should be around the same level as in 2019 (EUR 22 million). To ensure applications are fit for purpose from the outset, business planning is performed for all research and development activities at an early stage.

In August 2020, we intensified our collaboration with Nemergent, a young Spanish company based in Bilbao, by taking a 15% shareholding in the company. Our bundled software and technology expertise will allow better use to be made of the opportunities for safety-critical broadband communication offered by the LTE mobile communications standard. By acquiring ATRiCS and the shareholding in Nemergent, Frequentis is continuing to drive forward and broaden its product portfolio.

Order intake in the first half of 2020 was EUR 171.8 million, an increase of 28.8% or EUR 38.4 million compared with the first half of 2019 – despite the pandemic. For 2020 as a whole, Frequentis anticipates that order intake will be relatively balanced between the two halves of the year.

As at 30 June 2020, orders on hand amounted to EUR 445.2 million, an increase of 13.7% or EUR 53.7 million compared with year-end 2019 (EUR 391.5 million). Thanks to the good order situation and the efforts to use digitisation to deliver projects, Frequentis has been – and still is – working at full capacity despite the pandemic.

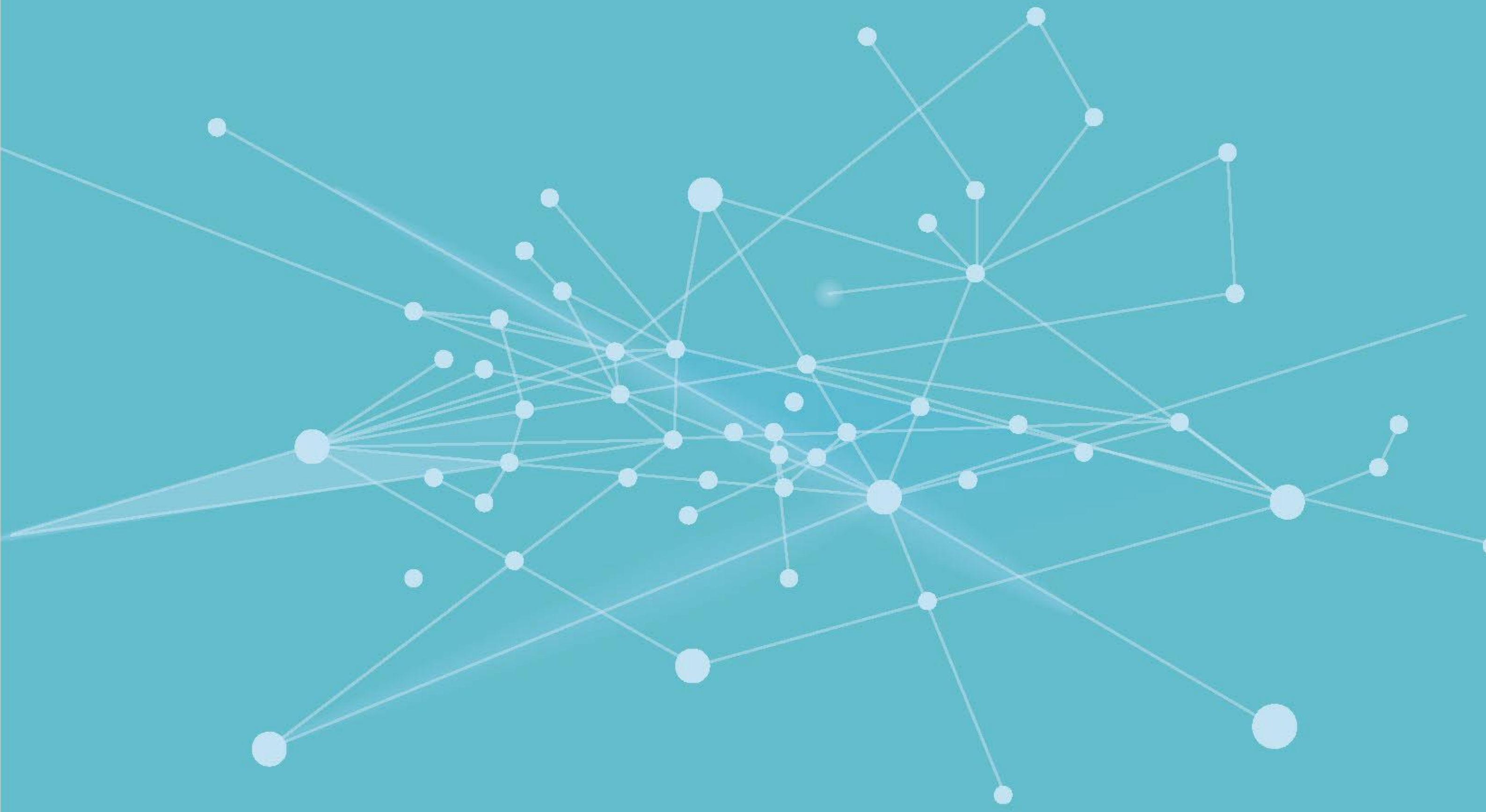
The impairment loss caused by the insolvency of Commerzialbank Mattersburg has no impact on customers, suppliers, current projects, employees, or M&A projects: the operating business is continuing on the usual scale. As a result of this impairment loss, the Frequentis Group is expected to report a loss at the end of the 2020 financial year. EBITDA and EBIT are not affected by the impairment loss.

Frequentis has engaged a team of lawyers which is evaluating all legal options in order to protect the interests of Frequentis in the best possible manner. Such evaluation includes the possible assertion and prosecution of potential claims against involved legal entities, organisations and persons. From today's perspective, this may take a significant period of time.

The ongoing COVID-19 pandemic entails risks, so there are still uncertainties in the current year. It is not possible to make a reliable estimate of the exact effect on our costs (e.g. travel expenses), project acceptances, supply chains, the budgets available, and the potential postponement of investments.

Although it is not possible to forecast how the pandemic will develop, Frequentis is striving to roughly maintain or even increase revenues and order intake in 2020 as a whole.

Consolidated Financial Statements as at 30 June 2020



Consolidated income statement

	Note	01-06/2020 EUR thousand unaudited	01-06/2019 EUR thousand unaudited
Revenues	(5) (6)	132,250	132,399
Change in inventories of finished goods and work in progress	(5)	480	1,489
Own work capitalised	(5)	45	104
Other operating income	(5)	3,485	4,433
Total income (operating performance)	**(5)**	**136,260**	**138,425**
Cost of materials and purchased services		-34,907	-38,394
Personnel expenses		-80,877	-77,790
Other operating expenses	(7)	-14,490	-19,864
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)		**5,986**	**2,377**
Depreciation and amortisation		-6,938	-6,258
Earnings before interest and taxes (EBIT)	**(5)**	**-952**	**-3,881**
Financial income		63	222
Financial expenses		-275	-409
Other financial results	(8)	-30,919	0
Financial result		**-31,131**	**- 187**
Earnings from investments accounted for at equity		117	68
Profit/loss before tax		**-31,966**	**-4,000**
Income taxes	(16)	8,597	1,552
Profit/loss for the period		**-23,369**	**-2,448**
Profit/loss attributable to:			
Equity holders of the company		**-23,568**	**-2,867**
Non-controlling interests		**199**	**419**
		-23,369	**-2,448**
Basic earnings per share		**-1.78**	**-0.23**
Diluted earnings per share		**-1.78**	**-0.23**

Consolidated statement of comprehensive income

	Note	01-06/2020 EUR thousand unaudited	01-06/2019 EUR thousand unaudited
Profit/loss for the period		**-23,369**	**-2,448**
Items that may be reclassified to the income statement in subsequent periods			
Foreign currency translation		-310	111
Realised gains/losses from foreign currency translation		0	-17
Measurement of cash flow hedges		632	-327
Taxes on items that may be reclassified to the income statement		-158	82
Items that may not be reclassified to the income statement			
Remeasurement gains/losses from post-employment benefits		1	-979
Investments accounted for at equity – amounts recognised in other comprehensive income		0	-1
Taxes on items that may not be reclassified to the income statement		0	245
Other comprehensive income, net of tax		**166**	**-886**
Total comprehensive income		**-23,203**	**-3,334**
Total comprehensive income attributable to:			
Equity holders of the company		**-23,426**	**-3,735**
Non-controlling interests		**223**	**401**
		-23,203	**-3,334**

Consolidated statement of financial position

ASSETS	Note	30 June 2020 EUR thousand unaudited	31 Dec. 2019 EUR thousand audited
Non-current assets			
Property, plant and equipment	(9)	45,133	48,244
Intangible assets	(9)	10,246	7,572
Goodwill	(10)	4,063	2,228
Investments accounted for at equity		850	733
Equity instruments		863	874
Other non-current assets		183	189
Time deposits	(11)	0	9,997
Deferred tax assets	(16)	7,120	1,705
		68,458	71,542
Current assets			
Inventories		15,215	13,805
Trade accounts receivable		52,793	58,527
Contract assets from contracts with customers	(12)	49,342	38,354
Contract costs		3,617	2,549
Receivables from affiliated and associated companies		76	23
Other current assets		8,496	8,029
Income tax receivables		2,421	4,432
Time deposits	(11)	0	7,998
Cash and cash equivalents	(11)	57,701	66,882
		189,661	**200,599**
Total assets		**258,119**	**272,141**

LIABILITIES AND EQUITY	Note	30 June 2020 EUR thousand unaudited	31 Dec. 2019 EUR thousand audited
Shareholders' equity			
Share capital	(13)	13,280	13,200
Capital reserves	(13)	21,138	19,976
Retained earnings	(14)	56,681	81,691
Adjustments for foreign currency translation		-583	-249
Equity attributable to equity holders of the parent company		**90,516**	**114,618**
Non-controlling interests		3,628	1,568
Total shareholders' equity		**94,144**	**116,186**
Non-current liabilities			
Liabilities to banks and other financial liabilities		5,055	5,500
Provisions	(15)	17,126	16,066
Lease liabilities		29,784	32,788
Other liabilities	(17)	1,932	663
Deferred tax liabilities	(16)	1,152	3,840
		55,049	**58,857**
Current liabilities			
Liabilities to banks and other financial liabilities		1,426	1,609
Contract liabilities from contracts with customers	(12)	54,327	48,682
Trade accounts payable		16,480	13,468
Payables to affiliated and associated companies		224	182
Lease liabilities		7,360	7,289
Other liabilities	(17)	19,074	11,178
Current tax liabilities		1,215	1,151
Provisions	(15)	8,820	13,539
		108,926	**97,098**
Total shareholders' equity and liabilities		**258,119**	**272,141**

Consolidated cash flow statement

	Note	01-06/2020 EUR thousand unaudited	01-06/2019 EUR thousand unaudited
Profit/loss before tax		-31,966	-4,000
Net interest income/expense		212	298
Foreign currency translation		45	-82
Profit/loss from the disposal of non-current assets		7	3
Depreciation of property, plant and equipment and amortisation of intangible assets		6,938	6,258
Earnings from investments accounted for at equity		-117	-68
Change in provisions	(15)	-3,657	-704
Impairment loss on time deposits at Commerzialbank Mattersburg	(8)	17,995	0
Impairment loss on current account deposits (due on demand) at Commerzialbank Mattersburg	(8)	12,718	0
Impairment loss on interest receivables from Commerzialbank Mattersburg	(8)	205	0
Other non-cash income/expenses		67	0
Net cash flow from operations		**2,447**	**1,705**
Change in inventories		-1,411	-2,885
Change in trade accounts receivable and receivables from affiliated and associated companies		7,328	-3,342
Change in contract assets	(12)	-11,710	-2,538
Change in other receivables		-632	-94
Change in trade accounts payable and payables to affiliated and associated companies		3,485	1,210
Change in contract liabilities	(12)	5,258	-1,585
Change in other liabilities	(17)	6,085	4,510
Change in net working capital		**8,403**	**-4,724**
Interest paid		-276	-409
Interest received		64	111
Dividends received		0	48
Income taxes paid/refunded		1,558	-2,870
Net cash flow from operating activities		**12,196**	**-6,139**
Cash inflows from the sale of intangible assets, property, plant and equipment		0	65
Cash inflows from the sale of securities and equity instruments		6	0
Cash outflows for the purchase of intangible assets, property, plant and equipment		-2,834	-2,086
Cash outflows for investment in securities, equity instruments, and time deposits		0	-7,000
Cash outflows for the acquisition of affiliated companies	(4)	-1,849	0
Net cash flow from investing activities		**-4,677**	**-9,021**
Dividends paid to non-controlling interests		-84	-539
Cash inflows from capital increase	(13)	1,324	21,600
Cash outflows for transaction costs for the capital increase	(13)	-109	-891
Cash outflows for incidental costs of the IPO – attributable to owners		0	-854
Cash inflows from non-controlling interests		98	79
Cash inflows from loans and other financing		55	152
Cash outflows for repayment of loans and other financing		-1,137	-803
Cash outflows for repayment of lease liabilities		-3,855	-2,070
Net cash flow from financing activities		**-3,708**	**16,674**
Change in cash and cash equivalents			
Net cash flow from operating activities		12,196	-6,139
Net cash flow from investing activities		-4,677	-9,021
Net cash flow from financing activities		-3,708	16,674
Net change in cash and cash equivalents		**3,811**	**1,514**
Cash and cash equivalents at start of period		**66,882**	**45,543**
Cash-flow related change in cash and cash equivalents		3,811	1,514
Foreign currency translation		-276	163
Impairment loss on current account deposits (due on demand) at Commerzialbank Mattersburg	(8)	-12,718	0
Other loss allowances		3	0
Cash and cash equivalents at end of period		**57,702**	**47,220**

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	Foreign currency translation	Equity attributable to equity holders of the parent company	Non-controlling interests	Total shareholders' equity
Note	(13)	(13)		(14)		(13)				
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
Payments 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**

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	(13)	(13)		(14)		(13)				
As at 31 December 2018	12,000	245	-4,512	0	-30	77,124	-534	84,293	1,340	85,633
Changes in accounting policies (IFRS 9 and 15)						290		290	0	290
As at 1 January 2019	12,000	245	-4,512	0	-30	77,414	-534	84,583	1,340	85,923
Capital increase	1,200	20,400						21,600		21,600
Costs of the capital increase		-892						-892		-892
Related income taxes		223						223		223
Payments from non-controlling interests								0	79	79
Profit/loss for the period						-2,867		-2,867	419	-2,448
Other comprehensive income			-717	0	-245	0	94	- 868	-18	- 886
Total comprehensive income			-717	0	-245	-2,867	94	-3,735	401	-3,334
Dividends								0	-539	-539
As at 30 June 2019	**13,200**	**19,976**	**-5,229**	**0**	**- 275**	**74,547**	**- 440**	**101,779**	**1,281**	**103,060**

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 Frequentis, the Frequentis Group, or the Group).

Frequentis AG is a company established under Austrian law. Its registered address is Innovationsstrasse 1, 1100 Vienna, 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 2019 and are not necessarily indicative of the year-end results for 2020.

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 two 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 generates a considerable proportion of its revenues in the fourth quarter and reports negative earnings during the year as fixed costs are distributed evenly over the year.

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

2. Accounting policies

The interim financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" and require estimates and assumptions that affect the amounts reported in the interim financial statements. Apart from changes due to the coronavirus 2019 ("COVID-19") pandemic, which are outlined in the section "Impact of COVID-19", and the impact of the insolvency of Commerzialbank Mattersburg in Burgenland AG (Commerzialbank Mattersburg), which is outlined in the section "Other financial results / Impairment loss due to Commerzialbank Mattersburg", the significant judgements 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 2020 and were effective at that date:

- Definition of Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and 8)
- References to the Conceptual Framework (Amendments to the conceptual framework)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, and IFRS 7)

These amendments do not have an material impact on the condensed interim financial statements.

3. Impact of COVID-19

The COVID-19 pandemic has triggered a global economic crisis. Frequentis cannot completely avoid general economic developments. However, it supplies safety-critical infrastructure, which has to be upheld and maintained even in periods of crisis.

With a few exceptions, it was possible to continue business unchanged despite the restrictions. Since Frequentis staff had performed many activities on a mobile basis in the past, switching to fully remote working (e.g. from home) was possible without major difficulties (with the exception of manual work performed on-site at some locations or on customers' premises). Since travel outside the countries in which the Frequentis Group has locations was almost impossible, several customer acceptance procedures were performed using video conferencing.

Revenues and expenses

Some customers were permitted to postpone agreed acceptance dates if the project team was not able to complete the work due to shutdowns or travel restrictions. In addition, longer payment terms were negotiated in some cases.

Despite the travel restrictions, it was possible to conduct a fair proportion of project acceptances remotely. That reduced travel expenses. Certain activities such as the installation and go-lives of new systems were – and still are – only possible in those countries where Frequentis has its own sites or where travel by Frequentis staff is possible. This means that some systems could not yet be (fully) installed and accepted by customers, resulting in a temporary shift in revenues.

Impairment of receivables

Since most customers are in the public sector, the COVID-19 crisis did not result in any defaults on receivables in the first half of 2020. Although longer payment terms have been agreed with some customers, due to its customer structure, the Frequentis Group does not expect an increase in defaults.

State support

In the reporting period, the Frequentis Group received various types of state support totalling EUR 371 thousand, mainly for subsidiaries outside Europe.

Impairment test

Due to the COVID-19 pandemic, the Frequentis Group tested assets for indications of impairment.

In some cases, this analysis identified some temporary negative effects, but these are expected to be offset in the long term. Based on these assumptions and updated planning data, there was no need to recognise an impairment, nor was an indication of impairment identified.

4. Consolidated group

Besides Frequentis AG, which is the parent company of the consolidated group, the consolidated financial statements of Frequentis AG include 5 (31 December 2019: 5) domestic subsidiaries and 23 (31 December 2019: 21) foreign subsidiaries controlled by Frequentis AG.

Changes to the consolidated group

With effect from 1 April 2020, Frequentis acquired 51% of the shares in ATRiCS Advanced Traffic Solutions GmbH (registered office Freiburg im Breisgau, Germany). This drove forward Frequentis' growth strategy and extended its product range in the area of tower automation. As an innovative provider of ATM tower automation products, ATRiCS offers software solutions and services for airport operators and air traffic control organisations. Its focus is on integrating and automating workflows for air traffic controllers to reduce workloads and draw attention to potential risk situations, as well as improving safety and increasing capacity at airports.

ATRiCS' portfolio of products and services offers a range of direct applications in specific Frequentis projects. It considerably expands Frequentis' products and know-how, especially for larger hubs. There is also great potential in flight data integration, where ATRiCS has established itself as the European market leader for optimising departure sequencing.

The purchase agreement was signed on 5 March 2020 and closing took place on 1 April 2020.

The contractually agreed purchase price comprises the following components:

	Fair value as at 1 April 2020 EUR thousand
Basic purchase price	1,859
Earn-out payment	1,227
Shareholder contribution	436
Receivable due to risk retention	211
Total consideration transferred	**3,733**

The basic purchase price and the shareholder contribution were not contingent upon any further conditions and payment had already been made.

The receivable due to risk retention contains a contingent consideration in the form of a payment to be made to the sellers on a non-proportionate basis.

The earn-out payment is based on the relevant annual financial statements in accordance with the German Commercial Code and is defined as follows:

Element of the earn-out payment	Amount in EUR thousand
Target value	3,750
+/- Earnings-related adjustment (achievement of an EBIT target)	0 - 7,500
+/- Net cash/debt as at 31 December 2024	Open
+/- Difference from target working capital as at 31 December 2024	Open
Earn-out claim	**Open**

For the purpose of the purchase price allocation, Frequentis analysed and revised ATRiCS' corporate plan to arrive at the most realistic measurement of the earn-out payment as at the acquisition date. On this basis, the fair value of the earn-out payment was measured as follows:

Earn-out	Amount in EUR thousand
Target value	3,570
+/- Earnings-related adjustment (achievement of an EBIT target)	-2,758
+/- Net cash/debt as at 31 December 2024	458
+/- Difference from target working capital as at 31 December 2024	-43
Earn-out claim	**1,227**

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

	Fair value as at 1 April 2020 EUR thousand
Intangible assets	3,208
Property, plant, and equipment	149
Trade accounts receivable	1,647
Contract assets	345
Cash and cash equivalents	10
Receivable from shareholder contribution	436
Other assets	44
Deferred tax liabilities	-803
Non-current lease liabilities	-1
Contract liabilities from contracts with customers	-387
Liabilities to banks and other financial liabilities	-472
Trade accounts payable	-80
Current lease liabilities	-3
Other liabilities	-371
Net assets	**3,722**
Non-controlling interests	1,824
Attributable to the Frequentis Group	1,898
Goodwill	1,835
Consideration paid	**3,733**

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.

Since initial consolidation, ATRiCS has generated revenues of EUR 812 thousand and EBIT of EUR 12 thousand. Had ATRiCS been acquired at the beginning of the 2020 financial year, it would have contributed revenues of EUR 1,722 thousand and EBIT of EUR -3 thousand to the Frequentis Group.

Due to time constraints, initial consolidation of the assets acquired and liabilities assumed was based on provisional valuations and figures. In accordance with the provisions of IFRS 3, the allocation of the consideration transferred to the items presented in the statement of financial position will be finalised within 12 months from the acquisition.

In addition, TEAM Technology Management GmbH, Germany (registered office Gräfeling, Germany) was established in March 2020. TEAM Communication Technology Management GmbH (Frequentis AG's stake: 51%) has a 51% stake in this company.

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 range from voice communication, networks, digital (remote) towers, ATC (air traffic control) towers, surveillance, AIM (aeronautical information management), and AMHS (aeronautical message handling systems) to ATM/UTM (unmanned traffic management) integration. For the defence sector, the portfolio is supplemented by secure communications and situational awareness applications.

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

Disclosures on the operating segments

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

01-06/2020	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
Total income (operating performance)	**91,947**	**43,077**	**1,236**	**136,260**
EBIT	**-2,536**	**1,785**	**-201**	**- 952**

01-06/2019	Air Traffic Management EUR thousand	Public Safety & Transport EUR thousand	Reconciliation/ consolidation EUR thousand	Total EUR thousand
Revenues	**92,561**	**39,792**	**46**	**132,399**
Change in inventories of finished goods and work in progress	951	528	9	1,488
Own work capitalised	35	0	69	104
Other operating income	1,921	701	1,811	4,433
Total income (operating performance)	**95,468**	**41,021**	**1,935**	**138,424**
EBIT	**-5,365**	**1,152**	**332**	**-3,881**

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

Information on Group-wide data

Neither in 2020, nor in 2019, did the Frequentis Group generate more than 10% of its total revenues with any single customer.

Orders on hand as at 30 June 2020 totalled EUR 445,156 thousand (30 June 2019: EUR 351,806 thousand). The Air Traffic Management (ATM) segment accounted for EUR 280,531 thousand (30 June 2019: EUR 197,135 thousand) of this amount and the Public Safety & Transport (PST) segment for EUR 164,625 thousand (30 June 2019: EUR 154,671 thousand).

6. Revenues

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

	01-06/2020 EUR thousand	01-06/2019 EUR thousand
New products and/or new customer business	53,694	68,680
IBB (installed base business)	74,181	60,111
Other revenues	4,375	3,608
	132,250	**132,399**

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

	01-06/2020 EUR thousand	01-06/2019 EUR thousand
Europe	84,297	76,779
Americas	22,244	25,931
Asia	16,761	19,164
Australia/Pacific	5,630	7,423
Africa	1,959	2,151
Small orders (not allocated)	1,359	951
	132,250	**132,399**

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

7. Other operating expenses

	01-06/2020 EUR thousand	01-06/2019 EUR thousand
Legal and consulting expenses	2,545	2,425
Travel expenses	2,371	5,957
External personnel	1,648	1,727
Insurance expenses	1,138	1,132
Exchange rate differences	961	309
Advertising	923	1,400
Maintenance	867	850
Transport	566	605
Telephone and communications expenses	555	532
Energy	488	525
Licenses (terms of up to 1 year)	423	414
Vehicles	420	567
Cleaning	419	528
Miscellaneous	1,166	2,893
	14,490	**19,864**

In some expense categories, e.g. travel expenses and advertising, there was an unusual reduction due to COVID-19.

8. Other financial results / impairment loss due to Commerzialbank Mattersburg

Pursuant to the notification of the Austrian Financial Market Authority dated 14 July 2020, Commerzialbank Mattersburg im Burgenland AG (Commerzialbank Mattersburg) was prohibited by decree with immediate effect from continuing its business operations and an auditor was appointed as government commissioner. Hence, the bank is also prohibited from paying out any deposits.

At that time, Frequentis had deposits in the amount of EUR 30.9 million with Commerzialbank Mattersburg and declared the entire amount due against Commerzialbank Mattersburg on 16 July 2020. This declaration was also addressed to the government commissioner appointed by the Austrian Financial Market Authority. As expected, Frequentis received a negative response thereto on 17 July 2020. From Einlagensicherung AUSTRIA Ges.m.b.H., which is the protection entity for Austrian credit institutions pursuant to the Austrian Deposit Protection and Investor Compensation Act, Frequentis received EUR 100 thousand on 24 July 2020.

On 27 July 2020, the Austrian Financial Market Authority filed an application for the opening of insolvency proceedings in respect of the assets of Commerzialbank Mattersburg with the Regional Court Eisenstadt. The opening of such insolvency proceedings in respect of the assets of Commerzialbank Mattersburg was announced on 28 July 2020. In an interim report dated 24 July 2020, the government commissioner appointed by the Austrian Financial Market Authority stated that, according to an interim status report, Commerzialbank Mattersburg was mathematically over-indebted at the time when Austrian Financial Market Authority prohibited its business operations. The entire amount of Frequentis' claim was filed in the insolvency proceedings on 29 July 2020.

Frequentis has engaged a team of lawyers which is evaluating all legal options in order to protect the interests of Frequentis in the best possible manner. Such evaluation includes the possible assertion and prosecution of potential claims against involved legal entities, organisations and persons. From today's perspective, this may take a significant period of time.

As a result of the insolvency, an impairment loss in the amount of EUR 30,918 thousand was recognised on Frequentis' bank balances due on demand as well as on its time deposits at Commerzialbank Mattersburg and recorded in other financial results. The other financial results of EUR 30,919 thousand relate almost entirely to the impairment loss on the current account balances (due on demand) and time deposits held at Commerzialbank Mattersburg.

The other financial results comprise the following items:

	Amount in EUR thousand
Impairment loss on long-term time deposits at Commerzialbank Mattersburg	9,997
Impairment loss on short-term time deposits at Commerzialbank Mattersburg	7,998
Impairment loss on current account deposits (due on demand) at Commerzialbank Mattersburg	12,718
Impairment loss on interest receivables from Commerzialbank Mattersburg	205
Other	1
Total	**30,919**

9. Non-current assets

EUR 3,051 thousand of the reduction in non-current assets results from the change in IFRS 16 right-of-use assets for buildings. The reduction in the related lease liabilities mainly results from payments on the principal.

The increase in intangible assets is mainly due to the intangible assets acquired in connection with the acquisition of ATRiCS Advanced Traffic Solutions GmbH.

10. Goodwill

Goodwill increased by EUR 1,835 thousand in the reporting period. This is attributable to the acquisition of ATRiCS Advanced Traffic Solutions GmbH.

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

	30 June 2020 EUR thousand	31 Dec. 2019 EUR thousand
Systems Interface Ltd.	1,266	1,266
Frequentis Comsoft GmbH	909	909
Team Communication Technology Management GmbH	53	53
ATRiCS Advanced Traffic Solutions GmbH	1,835	0
	4,063	**2,228**

As at the reporting date, there were no indications that goodwill might be impaired, nor did the impairment test indicate any need to recognise an impairment loss.

11. Time deposits, cash and cash equivalents

The short and long-term time deposits consisted entirely of time deposits at Commerzialbank Mattersburg. On the basis of the information currently available, an impairment loss had to be recognised for the full amount.

The cash and cash equivalents also included deposits of EUR 12,818 thousand (31 December 2019: EUR 12,818 thousand) which were due on demand; an impairment loss has been recognised for the full amount less the amount of EUR 100 thousand covered by statutory deposit insurance.

About 70% of the cash and cash equivalents of EUR 57,701 thousand as at end-June 2020 was deposited with nine system-relevant major banks in Austria and Germany. The remaining amount (approximately 30%) was deposited with more than 15 other banks in Europe, Australia, Asia, and the Americas.

12. Contract assets from contracts with customers and contract liabilities from contracts with customers

	30 June 2020 EUR thousand	31 Dec. 2019 EUR thousand
Contract assets from contracts with customers	70,563	54,924
Advances from customers	-21,221	-16,570
	49,342	**38,354**

The contract assets mainly result from performance obligations already satisfied by the company 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 to year-end 2019 is the net result of a large number of newly commenced and invoiced projects.

Contract assets of EUR 54,924 thousand were recognised as at 1 January 2020 (1 January 2019: EUR 54,169 thousand). EUR 24,322 thousand of this amount was invoiced in the first six months of 2020 (H1 2019: EUR 27,097 thousand).

The default risk on contract assets from contracts with customers is considered to be insignificant. The creditworthiness of customers is carefully checked, particularly in the case of orders for which the Group provides advance services. These orders primarily relate to work for public authorities or major international companies.

Contract liabilities from contracts with customers comprise obligations to customers (for the delivery of goods or the provision of services), 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 2020 EUR thousand	31 Dec. 2019 EUR thousand
Advances for customer projects	55,041	44,728
Advances offset against contract assets from contracts with customers	-18,241	-14,157
	36,800	**30,571**
Other contract liabilities	8,166	5,461
Other contract liabilities offset against contract assets from contracts with customers	-2,980	-2,413
	5,186	**3,048**
Accrued revenue for maintenance contracts	12,070	10,867
Liabilities for outstanding performance obligations for customer orders after final invoicing (current)	264	3,408
Liabilities for outstanding performance obligations for customer orders after final invoicing (non-current)	7	788
Total contract liabilities from contracts with customers	**54,327**	**48,682**

Other contract liabilities contain contractual claims to advance payments, which have not yet been settled by the customers.

13. Share capital and retained earnings

At the Annual General Meeting on 8 April 2019, the Executive Board was authorised, subject to the approval of the Supervisory Board, to increase the share capital of Frequentis AG by up to EUR 6 million up to 7 April 2024 by issuing up to 6 million new no-par bearer shares in one or more tranches in return for cash or payment in kind. The Executive Board was also authorised, subject to the approval of the Supervisory Board, to fully or partially exclude shareholders' subscription rights and, subject to the approval of the Supervisory Board, to define further details of the issue conditions (especially the issue price, type of contribution in kind, rights of the shares, exclusion of subscription rights, etc.) (authorised capital). In 2019, EUR 1.2 million of the authorised capital (amounting to 1.2 million shares) was utilised in connection with the IPO.

The capital increase for cash excluding the subscription rights of existing shareholders' for the employee participation programme, as resolved by the Executive Board on 2 March 2020 and approved by the Supervisory Board on 27 March 2020, was successfully completed in May 2020. Frequentis AG thus increased its share capital by EUR 80 thousand, from EUR 13,200 thousand to EUR 13,280 thousand by issuing 80,000 new bearer shares in return for cash contributions, excluding the subscription rights of existing shareholders'. The subscription price for employees, was defined on the basis of the closing price of Frequentis shares on the Vienna Stock Exchange on 4 May 2020 (EUR 16.55) less a discount of 20%, giving a price of EUR 13.24 per share.

Since they are no-par shares, an arithmetical amount of EUR 80 thousand of the total proceeds of EUR 1,324 thousand received by Frequentis AG was allocated to the share capital, and the remaining amount of EUR 1,244 thousand was allocated to the capital reserves. The 20% discount for employees amounted to EUR 265 thousand and was recognised in personnel expenses.

The total cost of the capital increase was EUR 109 thousand and was recognised directly in equity after deduction of the related income taxes of EUR 27 thousand.

The following table shows the change in the number of shares:

	2020	2019
As at 1 January	**13,200,000**	**12,000,000**
Newly issued shares due to the capital increase	80,000	1,200,000
As at 30 June	**13,280,000**	**13,200,000**

The 80,000 new shares issued in May 2020 are included in the free float. This resulted in a corresponding slight reduction in the percentage of shares held by other shareholders compared with the situation following the IPO in May 2019. Johannes Bardach still has a shareholding of approximately 68% (around 8% held directly and 60% held indirectly via Frequentis Group Holding GmbH), B&C Innovation Investments GmbH holds less than 10% of the shares, and the free float is about 22%.

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 14 May 2020 passed a resolution to distribute a dividend of EUR 0.15 per no-par share entitled to the dividend for the 2019 financial year.

The payment is contingent upon the legal permissibility on the payment date. Payment is scheduled for November 2020. Since there are currently no legal restrictions on distribution of a dividend, the dividend of EUR 1,992 thousand is reported in other liabilities.

14. Share-based payment

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

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 agreement stipulates 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 these 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 and 2020. In any case, the beneficiary may only sell the number of shares awarded under the LTIP 2019 and 2020 or any subsequent long-term incentive plan if, at all times, he holds at least 7,000 of the shares awarded under the long-term incentive plans ("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 (LTIP 2020) shares (in both cases gross – before deduction of taxes and fees), and at most 200% of the beneficiary's annual gross base salary for the 2019 or 2020 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. Depending on the approval of the Supervisory Board, the settlement dates are 30 April 2022 and 30 April 2023.

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 2020 was approved by the General Meeting on 14 May 2020. The agreement with the Chairman of the Executive Board was signed on 15 May 2020. In order to qualify for the allocation of shares in the company, targets must be achieved. The achievement of each target will be measured over a three-year performance period. The agreed targets are based on the total shareholder return (TSR), orders on hand, and growth in the regions and via M&A. 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:

	LTIP 2020	LTIP 2019
Start of LTIP	1 Jan. 2020	1 Jan. 2019
Grant date	14 May 2020	30 Sep. 2019
End of service period	31 Dec. 2022	31 Dec. 2021
Vesting date	30. Apr. 2023	30 Apr. 2022
Expected target achievement	79.8%	72.41%
Expected no. of shares	13,559	10,137
Maximum no. of shares	17,000	14,000
Bonus shares allocated	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 2020 is measured at the fair value of the share as at 15 May 2020 (share price on the date of the agreement), which was EUR 17.946, multiplied by the number of shares granted and the expected target achievement. EUR 41 thousand (EUR 43 thousand including payroll-related costs) was recognised in personnel expenses in the income statement.

The fair value of the LTIP granted in 2019 was EUR 18.05 as at 30 September 2019 (share price on the date of the agreement). In the reporting period, EUR 30 thousand (EUR 31 thousand including payroll-related costs) was recognised in personnel expenses in the income statement.

For the present LTIP, it is estimated 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.

15. Provisions

The non-current provisions comprise:

	30 June 2020 EUR thousand	31 Dec. 2019 EUR thousand
Provisions for severance payments	14,850	14,475
Provisions for pensions	3,109	3,035
Less pension insurance scheme	-2,632	-2,573
	477	**462**
Provisions for anniversary bonuses	377	343
Other provisions	1,422	786
Total non-current provisions	**17,126**	**16,066**

The other provisions contain provisions of EUR 1,304 thousand (31 December 2019: EUR 669 thousand) for projects for which provisions have to be recognised as the expected future expenses exceed the expected future income.

The current provisions comprise:

	30 June 2020 EUR thousand	31 Dec. 2019 EUR thousand
Bonuses	4,293	7,683
Provisions for projects	2,216	4,150
Other provisions	2,311	1,706
Total current provisions	**8,820**	**13,539**

The provisions for bonuses contain employees' claims to bonuses and variable remuneration.

The provisions for projects contain project costs for which provisions have to be recognised as the expected future expenses exceed the expected future income.

16. Deferred taxes and income taxes

The income tax expense (income) is calculated by multiplying the profit/loss before tax by the average estimated tax rate for the entire financial year, adjusted for the effects recognised in full in the profit/loss for the period. The estimated effective tax rate may differ from the effective tax rate at the end of the year.

The reduction in deferred tax liabilities and the increase in deferred tax assets are due to the tax loss as at 30 June 2020, which mainly results from the impairment loss recognised for time deposits and current account balances at Commerzialbank Mattersburg.

In order to assess whether deferred tax assets are impaired, the Executive Board estimates the probability that they can be realised in the future. The ability to realise deferred tax assets is based, among other things, on the assumption that there will be sufficient taxable income in future periods. This is based on business plans for the next five years. The Executive Board includes the planned reversal of deferred tax liabilities and the estimated taxable future income in its assessment. On this basis, it is estimated that all tax losses are realisable.

17. Other liabilities

EUR 1,227 thousand of the increase in other non-current liabilities is due to the liability for the earn-out payment in connection with acquisition of shares in ATRiCS Advanced Traffic Solutions GmbH.

The other current liabilities comprise:

	30 June 2020 EUR thousand	31 Dec. 2019 EUR thousand
Provisions for holidays not yet taken	5,510	3,483
Liabilities to local social insurance companies	4,033	451
Liabilities to the Austrian fiscal authorities (excluding income taxes)	3,196	1,931
Liability for the dividend payment	1,992	0
Negative fair values of cash flow hedges and MTM valuation	1,253	2,181
Advances received in connection with grants and subsidies	780	466
Provisions for overtime	450	435
Provisions for consultancy costs	118	370
Other liabilities	1,742	1,861
Total, current	**19,074**	**11,178**

Other information

18. Financial instruments

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including the categories to which they are allocated. They do 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 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				52,793		52,793
Receivables from affiliated and associated companies				76		76
Financial derivatives	58	488				546
Other current and non-current assets				281		281
Cash and cash equivalents				57,701		57,701
Total	**58**	**488**	**863**	**110,851**		**112,260**
Financial liabilities						
Liabilities to banks and other financial liabilities					6,481	6,481
Trade accounts payable					16,480	16,480
Payables to affiliated and associated companies					224	224
Lease liabilities					37,144	37,144
Financial derivatives	846	407				1,253
Other liabilities		1,438			3,397	4,835
Total	**846**	**1,845**			**63,726**	**66,417**

31 Dec. 2019	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			874			874
Time deposits				17,995		17,995
Trade accounts receivable				58,527		58,527
Receivables from affiliated and associated companies				23		23
Financial derivatives		92				92
Other current and non-current assets				801		801
Cash and cash equivalents				66,882		66,882
Total		**92**	**874**	**144,228**		**145,194**
Financial liabilities						
Liabilities to banks and other financial liabilities					7,109	7,109
Trade accounts payable					13,468	13,468
Payables to affiliated and associated companies					182	182
Lease liabilities					40,077	40,077
Financial derivatives	1,764	417				2,181
Other liabilities					1,822	1,822
Total	**1,764**	**417**			**62,658**	**64,839**

Trade accounts receivable, contract assets, other receivables, cash and cash equivalents, time deposits, 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 instruments, there are no quoted prices available on an active market. Therefore, they are measured using measurement 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. Their fair values are allocated to level 3 in the fair value hierarchy.

Derivative financial assets and liabilities are carried at fair value. Derivatives that have not been designated as a hedging instrument nevertheless serve economically to hedge fluctuations in exchange rates. Their fair values are allocated to level 2 in the fair value hierarchy.

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

The earn-out liability was measured at fair value at the date of acquisition. Measurement also included parameters not unobservable on the market, so the fair value was allocated to level 3 in the fair value hierarchy.

All financial instruments measured at fair value were allocated to the following hierarchy levels:

Level	Financial instruments at fair value
Level 1: Measurement based on quoted prices	Securities
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

Of the equity instruments measured at fair value, the 10.29% interest in the Austrian company Viennasys Software Entwicklung GmbH was sold in the reporting period. This equity instrument was sold for EUR 6 thousand, resulting in a loss of EUR 5 thousand.

For the 6.88% stake acquired in 2018 in the start-up company Altitude Angel Ltd., a further financing round by all investors was performed in December 2019 on the basis of the 2018 valuation as there were no indications of a material change in the value of the company since the initial investment.

Financial derivatives

The carrying amount of financial derivatives corresponds to their fair value, whereby the fair value was determined from the current market value as at 30 June 2020.

The following tables show the development of financial derivatives:

30 June 2020	Derivative		Cash flow hedge		For MTM valuation		Total
Sale currency	Sale amount	Purchase amount EUR thousand	Foreign currency amount	Fair value EUR thousand	Foreign currency amount	Fair value EUR thousand	Fair value EUR thousand
AUD	-3,706	2,273	-1,706	10	-2,000	4	14
CZK	14,500	-515	0	0	14,500	26	26
GBP	-11,308	12,707	6,637	48	4,670	301	349
HKD	300	-34	0	0	300	1	1
JPY	7,092	-55	0	0	7,092	4	4
PLN	-2,985	680	0	0	-2,985	12	12
SGD	-36	29	0	0	-36	6	6
USD	-2,188	2,084	0	0	-2,188	134	134
		17,169		**58**		**488**	**546**
AUD	-888	540	-153	-1	-736	-1	-2
CHF	-1,109	1,017	0	0	-1,109	-25	-25
CZK	6,000	-238	0	0	6,000	-14	-14
GBP	-1,966	2,079	-2,686	-51	720	-18	-69
HKD	-2,900	325	0	0	-2,900	-7	-7
JPY	-14,184	110	0	0	-14,184	-8	-8
SGD	-5,993	3,797	0	0	-5,993	-23	-23
USD	-26,060	22,063	-7,821	-794	-18,239	-311	-1,105
		29,693		**- 846**		**- 407**	**-1,253**

31 Dec. 2019	Derivative		Cash flow hedge		For MTM valuation		Total
Sale currency	Sale amount	Purchase amount EUR thousand	Foreign currency amount	Fair value EUR thousand	Foreign currency amount	Fair value EUR thousand	Fair value EUR thousand
JPY	7,092	-55	0	0	7,092	3	3
SGD	427	-270	0	0	427	8	8
USD	-2,826	2,557	0	0	-2,826	81	81
		2,232		**0**		**92**	**92**
AUD	-4,749	2,901	-3,739	-18	-1,010	-9	-27
CAD	-54	35	-54	-1	0	0	-1
CHF	-1,413	1,294	-29	-1	-1,384	-10	-11
GBP	-16,264	18,208	-9,478	-648	-6,786	-28	-676
JPY	-14,184	110	0	0	-14,184	-6	-6
PLN	-16,058	3,552	-9,918	-128	-6,140	-14	-142
SGD	-7,178	4,555	0	0	-7,178	-112	-112
USD	-20,688	16,828	-11,169	-968	-9,518	-238	-1,206
		47,483		**-1,764**		**- 417**	**-2,181**

For the carrying amount of the cash flow hedge and the carrying amount of the MTM valuation, a positive fair value of EUR 546 thousand is recognised in other receivables as at 30 June 2020 (31 December 2019: EUR 92 thousand), while a negative fair value of EUR 1,253 thousand is recognised in other liabilities (31 December 2019: EUR 2,181 thousand). When the hedged item (revenue) is realised, the amount relating to the hedging transaction recognised in other comprehensive income is reclassified to revenues.

19. 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 2019.

20. Significant events after the reporting date

The insolvency proceedings instigated against Commerzialbank Mattersburg on 27 July 2020 have already been reflected in these interim financial statements through impairment losses and are outlined in more detail in Note 8 “Other financial results / impairment loss due to Commerzialbank Mattersburg”.

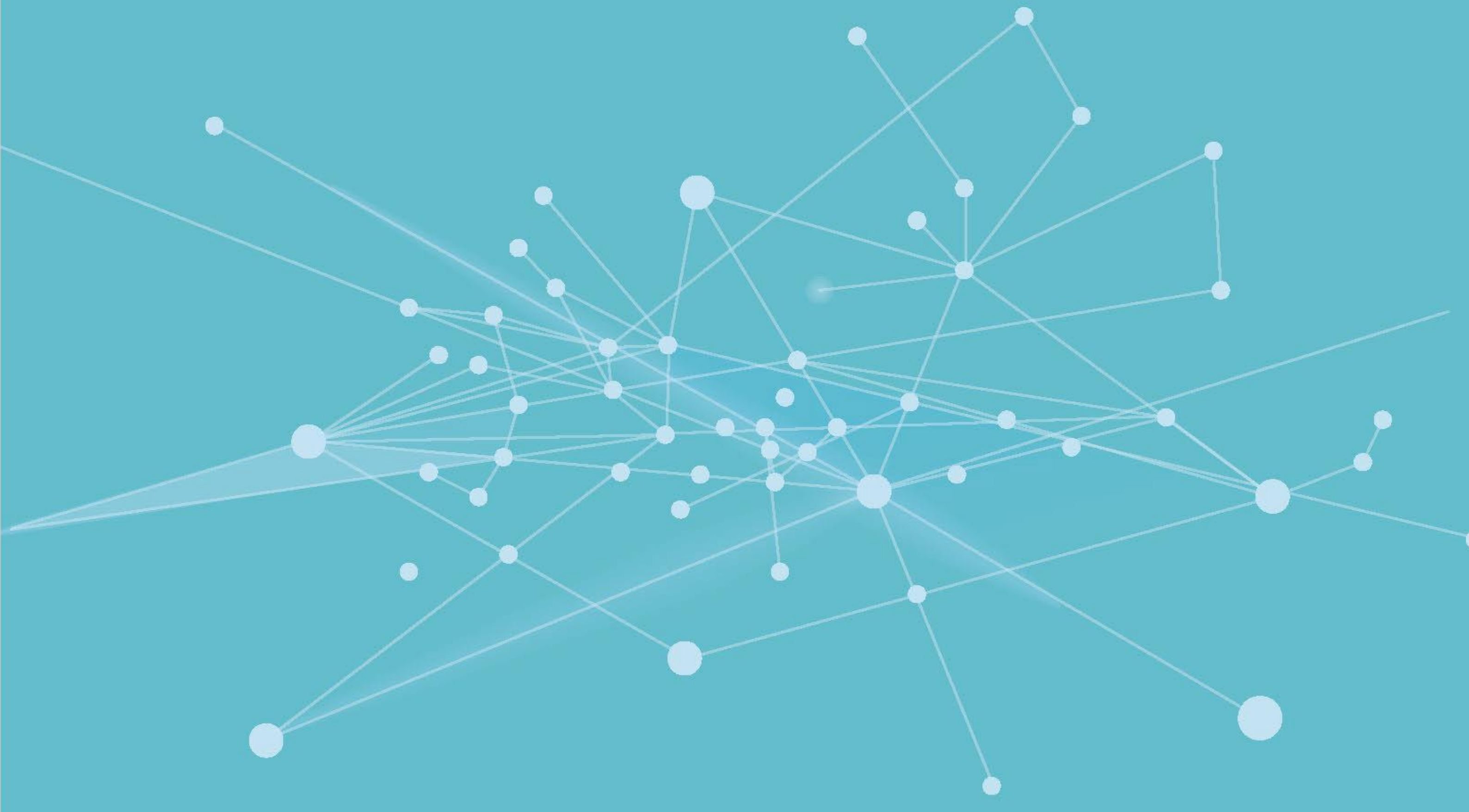
On August 7 2020, a binding investment agreement was signed for the acquisition of 15% of Nemergent Solutions S.L., Spain.

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 2020, 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 2020, 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, 17 August 2020

Norbert Haslacher Chairman of the Executive Board	Sylvia Bardach Member of the Executive Board	Hermann Mattanovich Member of the Executive Board



Financial Calendar 2020

18.08.2020	Half-year financial report 2020
25.11.2020	Ex-dividend day
26.11.2020	Record date for dividend
27.11.2020	Dividend payment day

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

Notes / Disclaimer

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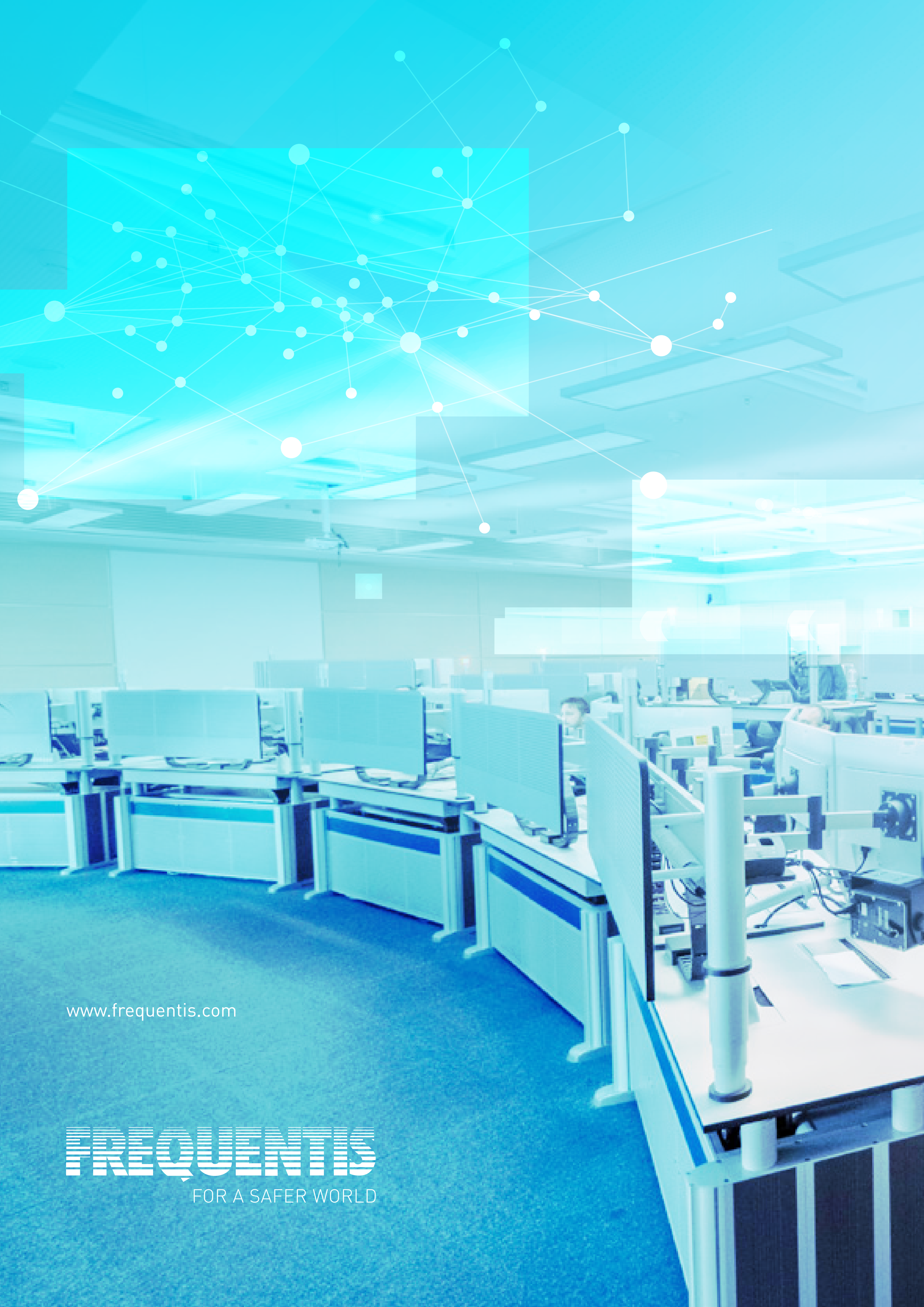

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