

FREQUENTIS

COMMUNICATION AND
INFORMATION SOLUTIONS

FOR A SAFER WORLD

Half-Year Financial Report

2023

Key figures Frequentis Group

All figures in EUR million, except where otherwise stated.

Earnings	H1 2023	H1 2022	+/- in %	+/- in EUR million	2022
Revenues	186.8	167.3	+11.7%	+19.5	386.0
EBITDA	8.2	8.4	-3.1%	-0.3	45.6
EBITDA margin	4.4%	5.1%	-0.7 PP	-	11.8%
EBIT	-0.3	-0.5	+45.7%	+0.2	25.0
EBIT margin	-0.2%	-0.3%	+0.1 PP	-	6.5%
Profit/loss for the period	-0.5	-0.3	-79.6%	-0.2	18.9
Earnings per share in EUR, basic	-0.08	-0.03	-150.2%	-	1.41
Earnings per share in EUR, diluted	-0.07	-0.03	-149.4%	-	1.41

Orders	H1 2023	H1 2022	+/- in %	+/- in EUR million	2022
Order intake	208.0	161.2	+29.1%	+46.8	404.8
Orders on hand at end of period	546.7	498.1	+9.8%	+48.6	522.0

Statement of financial position	30 June 2023	30 June 2022	+/- in %	+/- in EUR million	2022
Total assets	357.3	318.5	+12.2%	+38.7	340.3
Shareholders' equity	142.8	129.8	+10.1%	+13.1	147.3
Equity ratio	40.0%	40.7%	-0.7 PP	-	43.3%
Net cash	75.1	84.5	-11.1%	-9.4	91.0
No. of employees (average, in FTE) ¹⁾	2,180	2,021	+7.9%	-	2,081

Cash flow statement	H1 2023	H1 2022	+/- in %	+/- in EUR million	2022
Cash flow from operating activities	-1.0	-3.3	+69.7%	+2.3	14.2
Cash flow from investing activities	-22.9	-4.2	-442.8%	-18.7	-20.1
Cash flow from financing activities	-2.4	-12.3	+80.5%	+9.9	-16.5
Cash and cash equivalents at end of period	54.5	84.7	-35.6%	-30.2	81.4

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

¹⁾ Number of employees reported as average full-time equivalents (FTE).

Preface

Ladies and gentlemen,

In the first six months of 2023, the Frequentis Group registered strong revenue growth, based on the high level of orders on hand at year-end 2022 and ongoing order intake. Order intake was also considerably higher in the first half of 2023 than in the first half of 2022, thanks to intensive demand and the corresponding activities by the sales team.

Highlights

We are satisfied with our performance in the first six months and see it as the starting point for the ongoing development of the Frequentis Group.

- Order intake increased by 29.1% to EUR 208.0 million (H1 2022: EUR 161.2 million)
- Orders on hand were 9.8% higher at EUR 546.7 million at end-June 2023 (June 2022: EUR 498.1 million).
- Revenues rose by 11.7% to EUR 186.8 million (H1 2022: EUR 167.3 million)
- EBITDA decreased to EUR 8.2 million (H1 2022: EUR 8.4 million)
- EBIT improved to EUR -0.3 million (H1 2022: EUR -0.5 million).
- The profit for the period was EUR -0.5 million (H1 2022: EUR -0.3 million).
- The equity ratio was almost unchanged at 40.0% (June 2022: 40.7%)
- Net cash is EUR 75.1 million (June 2022: EUR 84.5 million)

A robust growth track

The continuous organic and inorganic expansion of our product portfolio resulted in a 29.1% rise in order intake to EUR 208.0 million in the first half of 2023. At end-June 2023, orders on hand amounted to EUR 546.7 million, an increase of 9.8% compared with end-June 2022. Thanks to the good order situation, capacity utilisation at Frequentis was and remains good and the next steps on our growth path are mapped out.

Revenues were 11.7% higher at EUR 186.8 million. The German company FRAFOS, which we acquired in April 2023, made a slight contribution to this increase. The war in Ukraine, which started in February 2022, indirectly impacted the Frequentis Group through higher inflation, which then filtered through stepwise to the cost of goods sourced from suppliers, salary rises, and other cost items.

Despite the negative inflation-driven effects, EBITDA was EUR 8.2 million (H1 2022: EUR 8.4 million). Depreciation and amortisation were almost unchanged. Overall, EBIT improved to EUR -0.3 million (H1 2022: EUR -0.5 million). The second half of the year will remain by far the more relevant period for our overall profitability.

Our financials remain solid. Total assets were EUR 357.3 million, 12.2% higher than at end-June 2022, equity increased to EUR 142.8 million and the equity ratio was therefore 40.0% at end-June 2023. The net cash position was EUR 75.1 million at end-June 2023.

We are pleased that in June we could hold our Annual General Meeting 2023 in person again. Our shareholders approved our proposal and passed a resolution to increase the dividend by 10% to EUR 0.22 per share. The dividend was paid in June.

Expansion of the product portfolio

Frequentis has made nine acquisitions since its IPO in May 2019. Proactively searching for attractive M&A opportunities is part of the Frequentis strategy of extending its product portfolio. In addition to acquisitions, we naturally also focus on developing new products and solutions and enhancing existing products and solutions through company- and customer-funded research & development.

Acquisition to strengthen expertise in cybersecurity

In April 2023, Frequentis acquired a 76.67% interest in FRAFOS GmbH, which is based in Berlin, Germany. FRAFOS will deliver key security components for Frequentis' communication solutions for all safety-critical sectors. Solutions from FRAFOS are approved for safety-critical installations of government organisations and by Germany's Federal Office for Security and Information Technology (BSI).

FRAFOS is an expert in VoIP firewalls (Voice Over Internet Protocol), which support Frequentis in solutions for safety-critical operations by expanding protection against denial-of-service (DOS) attacks and attempted fraud.

Acquisition on the recorder market

In July 2023, Frequentis acquired 100% of the Norwegian software company GuardREC ATC AS, which has since been renamed Frequentis Recording AS as part of the integration process. This acquisition will increase recording competence in all business areas. Its portfolio covers all aspects of surveillance as well as audio, video, and data recording, including data analysis. Frequentis' recording solution DIVOS will be merged with the solution that has been acquired to provide a new global product offer.

Forecast for 2023

The uncertainties remain in the second half of the year:

- the war in Ukraine has entered its second year,
- inflation is still far from the average of less than 2% (in the euro zone) seen since the start of the millennium,
- the major economic areas such as the USA and the euro zone will probably achieve growth of just 1.8% and 0.9%, respectively, in 2023 (IMF forecast July 2023).

The outbreak of even limited conflicts can rapidly cause distortion of the global IT hardware market. In the project business, Frequentis has always had to address extensive challenges and dynamic changes in external influences and adapts constantly to the relevant conditions. The wide range of uncertainties makes forecasting difficult at present.

It is not possible to make a reliable estimate of the exact effect on costs, e.g., travel expenses, higher salaries, delays in passing on inflation-driven price rises to customers, and potential supply chain bottlenecks and delivery delays.

In 2023, expenses for company-funded research & development will be higher than in 2022. Capital expenditure (capex) will be around EUR 10 million.

Depending on the development of the aspects outlined above, Frequentis considers that it is moving in the right direction to achieve the following targets for 2023 compared with 2022:

- Increase revenues
- Increase order intake
- EBIT margin of around 6-8%.

Vienna, 14 August 2023

Best regards,

Norbert Haslacher
Chairman
of the Executive Board

Monika Haselbacher
Member
of the Executive Board

Hermann Mattanovich
Member
of the Executive Board

Peter Skerlan
Member
of the Executive Board

The share

Shareholder structure

Frequentis' core shareholder is Hannes Bardach. He holds around 68% of the shares (about 8% directly and about 60% indirectly through Frequentis Group Holding GmbH). B&C Holding Österreich GmbH holds more than 10% of the shares. The free float is approximately 22%, mainly investors from Germany, Austria, and other European countries. For further information, including a share price chart, see <http://www.frequentis.com/en/ir> > Share.

Analysts

BankM (Roger Becker, Daniel Großjohann), Raiffeisen Bank International (Teresa Schinwald), and ODDO BHF (Nicolas Thorez) regularly write analyses and notes on Frequentis shares.

Dividend and dividend policy

The Annual General Meeting on 1 June 2023 approved the proposal put forward by the Executive Board and Supervisory Board to pay a dividend of EUR 0.22 per share for 2022 (2021: EUR 0.20 per share). As a result, around EUR 2.9 million was paid out, giving a dividend yield of 0.77% based on the closing price on the Vienna Stock Exchange at end-December 2022 (2021: 0.75%).

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

Treasury shares

As at 30 June 2023, Frequentis AG held 985 treasury shares (30 June 2022: 8,910).

Investor Relations contact

Frequentis' investor relations website at www.frequentis.com/en/ir provides extensive information for shareholders: press releases, presentations, videos, financial reports, a share chart, the financial calendar, and information on corporate governance.

Contact: Stefan Marin, +43 1 81150 1074, investor@frequentis.com

Group Management Report as at 30 June 2023

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) have relatively low cyclical exposure. Frequentis' business performance would be adversely affected by a significant global decline in one of these five areas. Frequentis cannot completely avoid general economic developments. However, it supplies safety-critical infrastructure, which cannot be dispensed with and has to be upheld and maintained even in periods of crisis.

The International Monetary Fund (IMF) published its World Economic Outlook Update in July 2023¹. Global growth is projected to fall from an estimated 3.5% in 2022 to 3.0% in both 2023 and 2024. Although the forecast for 2023 is slightly higher than predicted in April 2023, it remains weak by historical standards. The rise in central bank interest rates to fight inflation continues to weigh on economic activity. Global inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024.

The resolution of the US debt ceiling stand-off and strong action by authorities to contain turbulence in the US and Swiss banking sectors in early 2023 reduced the immediate risks of turbulence in the financial sector. This has moderated the adverse risks for the outlook. However, the balance of risks to global growth remains tilted to the downside. Inflation could remain high and even rise if further shocks occur, including those from an intensification of the war in Ukraine and extreme weather-related events, triggering more restrictive monetary policy. Financial sector turbulence could resume as markets adjust to further policy tightening by central banks. On the upside, inflation could fall faster than expected, reducing the need for tight monetary policy, and domestic demand could again prove more resilient.

For the USA, the IMF is projecting growth of 1.8% in 2023 (2024: 1.0%). It estimates that the economy in the euro zone will grow by 0.9% in 2023 (2024: 1.5%). For the major economies in the euro zone it predicts different growth rates in 2023 and 2024: the growth predictions for 2023 are -0.3% for Germany (2024: 1.3%), 0.8% for France (2024: 1.3%), 1.1% for Italy (2024: 0.9%), and 2.5% for Spain (2024: 2.0%). The forecast for the UK is 0.4% growth in 2023 (2024: 1.0%).

For the emerging and developing economies in Asia, the projection is 5.3% growth in 2023 (2024: 5.0%). The IMF estimates that Latin America will grow by 1.9% in 2023 (2024: 2.2%). The projection for the Middle East and Central Asia is 2.5% growth (2024: 3.2%).

¹ <https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023>

Business performance

In the first six months of 2023, the Frequentis Group registered strong revenue growth, based on the high level of orders on hand at year-end 2022 and ongoing order intake. Order intake was also considerably higher in the first half of 2023 than in the first half of 2022, thanks to intensive demand and the corresponding activities by the sales team.

Significant events in 2023

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Impact of the geopolitical situation

The war in Ukraine, which started in February 2022, indirectly impacted the Frequentis Group through higher inflation, which then filtered through stepwise to the cost of goods sourced from suppliers, salary rises, and other cost items. No revenues were generated with Ukraine, Russia, and Belarus in the first half of 2023.

Frequentis was affected to some extent by supply chain bottlenecks and, in some cases, sharp increases in procurement prices and delivery delays. The increase in inventories was mainly due to increased stocking of components and assemblies to ensure an adequate safety net to meet long-standing delivery and maintenance obligations despite the withdrawal of products by producers and supply bottlenecks.

Order intake

Order intake in the Frequentis Group was EUR 208.0 million in the first half of 2023, an increase 29.1% (EUR 46.8 million) compared with the first half of 2022, when order intake was EUR 161.2 million.

The distribution of order intake between the two segments in the first half of 2023 was as follows: Air Traffic Management 64% (EUR 132.8 million) compared with 73% in the first half of 2022 (EUR 117.7 million), Public Safety & Transport 36% (EUR 75.2 million), compared with 27% in the first half of 2022 (EUR 43.5 million).

Highlights of order intake in the Air Traffic Management segment

In the field of voice communication systems, Frequentis has been selected to upgrade the mission control voice conferencing technology at NASA's Johnson Space Center (JSC). NASA's current voice conferencing system at JSC is to be replaced by the next-generation voice over IP (VoIP) conferencing system.

Another highlight in order intake for voice communication systems came from Norway. The Norwegian air navigation service provider Avinor has ordered the X10 VCS geographically redundant voice communication system.

Demand for remote digital towers for both civil and military use remains high. For example, Frequentis is supporting the US Department of Defense in trials on transportable digital tower technology at Moody Air Force Base (AFB) in Georgia, USA, as part of a multi-site evaluation of digital tower technology.

In the area of drones, the Lithuanian air navigation service provider has selected Frequentis to provide its proven UTM (uncrewed traffic management) solution to allow safe, efficient, and conformant integration of drones into Lithuanian airspace in response to growing use of drones in the country.

Highlights of order intake in the Public Safety & Transport segment

In the Public Safety & Transport segment, the Public Safety business domain is increasing its market leadership with the emergency services in Germany. Police and local authorities in Lower Saxony, represented by the Central Police Directorate, have commissioned Frequentis to supply its multimedia communication solution 3020 LifeX. The implementation of this system across eight control centres, one alternate control centre and one test system will take place in three phases. The project will establish a state-wide standard for the control centre communication system within an IP-based system environment in Lower Saxony.

In Bavaria, Germany, Frequentis has secured an order through the general contractor Sopra Steria to supply the ASGARD voice and data communication system for a total of 26 integrated control centres, three emergency control centres, the fire service dispatch centre in Munich, and a training and test environment at the fire fighter college in Geretsried. This state-wide project is being implemented by Sopra Steria in collaboration with Frequentis.

Outside of Europe, Frequentis has been selected by Airservices Australia, the nation's air navigation service provider, to deliver a solution for its Aviation Rescue Fire Fighting Service. The solution will be made up of two components: the multimedia collaboration and communication platform LifeX, extended by the messenger, incident, and resource management module, OnSite.

In the Public Transport business domain, France's state-owned rail company SNCF Réseau has selected Frequentis to develop and supply a customised communication system for the entire French rail network as part of its strategic development plan to transform its network by 2030. SNCF Réseau is responsible for the rail network in France and Monaco, including the TGV high-speed rail network. The aim is to drive performance through digital innovation.

The Maritime business domain has received orders from Germany and Belgium. The German Maritime Search and Rescue Service and the Belgian Maritime Service Agency and Coast Guard have each ordered a flexible modern incident management system as part of the Frequentis MarTRX solution.

Orders on hand

Orders on hand amounted to EUR 546.7 million as at 30 June 2023, an increase of 9.8% (EUR 48.6 million) compared with end-June 2022 (EUR 498.1 million). The Air Traffic Management segment accounted for around 63% of total orders on hand (June 2022: 64%) and the Public Safety & Transport segment for around 37% (June 2022: 36%).

Revenues and operating performance

In the first half of 2023, revenues increased by 11.7% (EUR 19.5 million) to EUR 186.8 million (H1 2022: EUR 167.3 million). Organic growth – excluding the acquisition of the Italian company Regola and the German company FRAFOS – was 11.5%.

Revenues in the Air Traffic Management segment grew by 8.6% to EUR 122.5 million. In the Public Safety & Transport segment, revenues increased by 18.2% to EUR 64.1 million. The revenue split between the Air Traffic Management and Public Safety & Transport segments was 66% : 34% in the first half of 2023 (H1 2022: 67% : 33%).

Looking at the regional revenue split, in the first half of 2023 Europe accounted for 67% (H1 2022: 65%), the Americas for 14% (H1 2022: 17%), Asia for 11% (H1 2022: 11%), Australia/Pacific for 6% (H1 2022: 5%), and Africa for 1% (H1 2022: 1%). 1% (H1 2022: 1%) of revenues were not allocated to a region.

The change in inventories of finished goods and work in progress was EUR 2.4 million in the first half of 2023 (H1 2022: EUR 1.8 million). Own work capitalised rose to EUR 2.5 million (H1 2022: EUR 0.5 million), mainly due to voice communication systems produced for leasing.

The other operating income decreased to EUR 3.9 million (H1 2022: EUR 4.6 million). The biggest single items here are grants and subsidies for research and development costs and income from research subsidies.

The operating performance increased by 12.3% to EUR 195.6 million in the first half of 2023 (H1 2022: EUR 174.1 million).

Earnings

The cost of materials and purchased services increased by 11.7% to EUR 44.9 million (H1 2022: EUR 40.2 million). This was attributable, among other things, to supply chain bottlenecks, which affected Frequentis to some extent and, in some cases, significant price rises and delays in the delivery of purchased goods. Personnel expenses increased by 9.7% to EUR 113.4 million (H1 2022: EUR 103.4 million), principally due to pay rises as a result of higher inflation and the increase in the number of employees.

The other operating expenses rose by 31.5% to EUR 29.0 million (H1 2022: EUR 22.1 million), mainly as a result of the increase in provisions for projects, travel expenses, currency translation differences, energy costs, and licence fees for purchased software used by the company. Since unrestricted travel is now possible, travel expenses increased by EUR 1.5 million year-on-year to EUR 6.0 million in the first half of 2023. In absolute terms, travel expenses were back at the 2019 level, i.e., the pre-pandemic level (H1 2019: EUR 6.0 million). Relative to revenues they were lower: 3.2% of revenues in the first half of 2023 compared with 4.5% in the first half of 2019. The target range for travel expenses is around 3% to 4% of revenues.

EBITDA (earnings before interest, taxes, depreciation, and amortisation) declined to EUR 8.2 million in the first six months of 2023 (H1 2022: EUR 8.4 million). The EBITDA margin (relative to revenues) was 4.4%, compared with 5.1% in the first half of 2022.

Depreciation and amortisation decreased to EUR 8.5 million (H1 2022: EUR 9.0 million). This was partly due to a shift from amortisation to other operating expenses because licences for software used by the company (purchased software used in its own operations) are no longer purchased and amortised; instead they are leased for a specific service life under a licensing model.

As a result of all the changes outlined above, EBIT improved to EUR -0.3 million in the first half of 2023 (H1 2022: EUR -0.5 million). The EBIT margin (relative to revenues) was -0.2%, compared with -0.3% in the first half of 2022.

Frequentis made a loss before tax of EUR 0.3 million in the first half of 2023 (H1 2022: loss of EUR 0.7 million). Income tax expense was EUR 0.2 million (H1 2022: income tax income of EUR 0.4 million). Frequentis made a loss for the period of EUR 0.5 million in the first half of 2023 (H1 2022: loss of EUR 0.3 million). Basic earnings per share were EUR -0.08 in the first half of 2023 (H1 2022: EUR -0.03). Diluted earnings per share were EUR -0.07 in the first half of 2023 (H1 2022: EUR -0.03).

Employees

The headcount increased by 7.9% to an average of 2,180 full-time equivalents (FTEs) in the first half of 2023 (including the additional employees from the acquisitions and the full consolidation of the Philippine company AIRNAV Technology Services from February 2023). The average headcount for the first six months of 2022 was 2,021 FTEs.

Asset and capital structure

Total assets increased by 5.0% to EUR 357.3 million as at end-June 2023 (end-December 2022: EUR 340.3 million; end-June 2022: EUR 318.5 million) due to higher contract assets, while trade accounts receivable declined. The equity ratio was 40.0% (end-December 2022: 43.4%; end-June 2022: 40.7%). Equity amounted to EUR 142.8 million (end-December 2022: EUR 147.3 million, end-June 2022: EUR 129.8 million).

The net cash position (cash and cash equivalents and time deposits less liabilities to banks and other financial liabilities) was EUR 75.1 million as at end-June 2023, which was below the net cash position of EUR 91.0 million recorded at the end of December 2022 (June 2022: EUR 84.5 million)

Non-current assets amounted to EUR 86.5 million at the end of June 2023 (end-December 2022: EUR 80.4 million). At end-June, 2023 the two main items here were property, plant, and equipment, which totalled EUR 55.0 million (end-December 2022: EUR 53.3 million), and intangible assets, which amounted to EUR 16.1 million (end-December 2022: EUR 14.5 million).

Current assets totalled EUR 270.8 million at the end of June 2023 (end-December 2022: EUR 259.8 million). The most important item here — cash and cash equivalents, including time deposits — amounted to EUR 80.5 million (end-December 2022: EUR 91.4 million). The next most important items were contract assets, which totalled EUR 71.5 million (end-December 2022: EUR 50.5 million), trade accounts receivable, which amounted to EUR 63.9 million (end-December 2022: EUR 77.0 million), and inventories, which totalled EUR 31.1 million (end-December 2022: EUR 21.7 million). The increase in inventories was mainly due to increased stocking of components and assemblies to ensure an adequate safety net to meet long-standing delivery and maintenance obligations despite the withdrawal of products by producers and supply bottlenecks. Moreover, part of the increase was due to the customary sharp rise in inventories in the first half of the year to cover project requirements in the second half.

As at end-June 2023, around 70% of total cash and cash equivalents and time deposits were deposited with eleven system-relevant major banks in Austria and Germany. Around 30% were deposited with approximately 25 other banks in Europe, Australia, Asia, and the Americas.

On the liabilities side, the largest item comprised current liabilities, which amounted to EUR 149.8 million as at end-June 2023 (end-December 2022: EUR 131.0 million). Contract liabilities accounted for EUR 70.8 million of this amount (end-December 2022: EUR 68.0 million). The second largest item on the liabilities side of the balance sheet was equity of EUR 142.3 million as at end-June 2023 (end-December 2022: EUR 147.3 million).

Non-current liabilities (third-largest item on the liabilities side) totalled EUR 64.6 million (end-December 2022: EUR 61.9 million). The biggest item here comprised non-current lease liabilities, which totalled EUR 30.5 million (end-December 2022: EUR 30.8 million).

Cash flow

The cash flow from operations rose to EUR 4.1 million in the first half of 2023 (H1 2022: EUR 2.7 million).

The cash outflow for operating activities improved to EUR 1.0 million in the first half of 2023 (H1 2022: outflow of EUR 3.3 million) and was mainly influenced by the changes in contract assets, trade accounts receivable, and other liabilities.

The cash outflow for investing activities was EUR 22.9 million in the first half of 2023 (H1 2022: outflow of EUR 4.2 million). Most of the changes were due to time deposits. The cash flow from investing activities also includes expenses for the investment in the German company FRAFOS. Capital expenditures (cash outflows for the purchase of intangible assets, property, plant, and equipment) amounted to EUR 5.7 million in the first half of 2023, which was higher than in the first half of 2022 (EUR 4.2 million), mainly due to voice communication systems produced for leasing.

The cash outflow for financing operations improved to EUR 2.4 million in the first half of 2023 (H1 2022: outflow of EUR 12.3 million).

The total cash outflow in the first half of 2023 was EUR 26.3 million (H1 2022: outflow of EUR 19.8 million). Cash and cash equivalents, excluding time deposits, were EUR 54.5 million as at end-June 2023 (end-June 2022: EUR 84.7 million).

Business relations with related parties

For details see ↗ consolidated financial statements as at 30 June 2023, note 18 and ↗ consolidated financial statements as at 31 December 2022, note 37.

Segment performance

Air Traffic Management / ATM

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

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

The Frequentis ATM portfolio for the defence sector comprises communication and information systems for air defence and military air traffic control, systems for networked operational management and tactical networks, management and information systems, including systems for integrated use by different authorities, and encrypted, interoperable communication systems for mission-critical applications.

Revenues in the Air Traffic Management segment grew by 8.6% to EUR 122.5 million in the first half of 2023 (H1 2022: EUR 112.8 million). EBIT was EUR -5.9 million (H1 2022: EUR -2.1 million).

Highlights from the operating business

The segment recorded key milestones and acceptances of voice communication systems for the British, French, and Korean air traffic control organisations. The latest release of the X10 voice communication system came into service at Montreal Airport in Canada. Using its agile state-of-the-art service-oriented architecture, the X10 adds future operational benefits through seamless integration with other systems.

In the area of drone management, Estonia's air navigation service provider has taken the first steps — together with Frequentis — towards automated, digital implementation of drones in air traffic. Frequentis' work in the field of drone management is also honoured by the market: at the ATM Awards at this year's Airspace World trade show in Geneva, Frequentis, the Norwegian air navigation service provider Avinor, and the Norwegian air ambulance service won the Overall Excellence Air Traffic Management Award for demonstrating the safe operation of drones and the air ambulance service.

Frequentis is leading an artificial intelligence research initiative to enhance the safety and efficiency of remote digital towers. The Austrian research initiative Take Off provides funding for this collaboration between Frequentis, the Austrian Institute of Technology, and Graz University.

Public Safety & Transport / PST

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

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

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

Revenues in the Public Safety & Transport segment increased by 18.2% to EUR 64.1 million in the first half of 2023 (H1 2022: EUR 54.3 million). EBIT rose to EUR 5.8 million (H1 2022: EUR 1.7 million).

Highlights from the operating business

A highlight in the Public Safety business domain was completion of the rollout of the 3020 LifeX multimedia communication solution in Bavaria, Germany. Now the entire police force in Bavaria uses LifeX systems.

In the Saarland region of Germany, the 50th ASGARD communication system was successfully taken into service at the integrated control centre in February 2023 when the police control centre was switched to LifeX. Following placement of the order by RZV, a joint association of the fire and emergency rescue services, the project was executed in just six months.

Within the framework of the Ambulance Radio Programme, the first systems were replaced at some of the eleven control centres operated by the Ambulance Trusts in England, Scotland, and Wales.

Frequentis expert Charlotte Rösener has been appointed President of the Public Safety Communication Europe (PSCE) Forum. She became chair of the Industry Committee and one of four board members in 2021. The PSCE Forum is a non-profit organisation in the field of communication technologies for public authorities and emergency services (police, fire, and rescue services).

The Public Transport business domain achieved key milestones, for example in European rail projects. The Maritime business domain reported important project acceptances in Australia and the Netherlands.

Opportunity and risk management

For information on opportunities and risks, please refer to the [↗](#) Group Management Report as at 31 December 2022 on page 145f. of the Annual Report 2022.

Outlook

Forecast for 2023

The uncertainties remain in the second half of the year:

- the war in Ukraine has entered its second year,
- inflation is still far from the average of less than 2% (in the euro zone) seen since the start of the millennium,
- the major economic areas such as the USA and the euro zone will probably achieve growth of just 1.8% and 0.9%, respectively, in 2023 (IMF forecast July 2023).

The outbreak of even limited conflicts can rapidly cause distortion of the global IT hardware market. In the project business, Frequentis has always had to address extensive challenges and dynamic changes in external influences and adapts constantly to the relevant conditions. The wide range of uncertainties makes forecasting difficult at present.

It is not possible to make a reliable estimate of the exact effect on costs, e.g., travel expenses, higher salaries, delays in passing on inflation-driven price rises to customers, and potential supply chain bottlenecks and delivery delays

In 2023, expenses for company-funded research & development will be higher than in 2022. Capital expenditure (capex) will be around EUR 10 million.

Depending on the development of the aspects outlined above, Frequentis considers that it is moving in the right direction to achieve the following targets for 2023 compared with 2022:

- Increase revenues
- Increase order intake
- EBIT margin of around 6-8%.



Consolidated
Financial Statements
as at 30 June 2023

Consolidated income statement

	Note	01-06/2023 EUR thousand unaudited	01-06/2022 EUR thousand unaudited
Revenues	(3) (4)	186,799	167,296
Change in inventories of finished goods and work in progress	(3)	2,402	1,760
Own work capitalised	(3) (5)	2,488	457
Other operating income	(3)	3,873	4,605
Profit from business combinations		3	0
Total income (operating performance)		195,565	174,118
Cost of materials and purchased services		-44,903	-40,215
Personnel expenses		-113,430	-103,374
Other operating expenses	(6)	-29,043	-22,080
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)		8,189	8,449
Depreciation of property, plant, and equipment and amortisation of intangible assets	(7)	-8,483	-8,992
Earnings before interest and taxes (EBIT)	(3)	-294	-543
Financial income		435	41
Financial expenses		-615	-316
Earnings from investments accounted for at equity		154	119
Profit/loss before tax		- 320	- 699
Income taxes		-197	411
Profit/loss for the period		- 517	- 288
Profit/loss attributable to:			
Equity holders of the company		-997	-377
Non-controlling interests		480	89
		- 517	- 288
Basic earnings per share		-0.08	-0.03
Diluted earnings per share		-0.07	-0.03

Consolidated statement of comprehensive income

	Note	01-06/2023 EUR thousand unaudited	01-06/2022 EUR thousand unaudited
Profit/loss for the period		-517	-288
Items that may be reclassified to the income statement in subsequent periods			
Foreign currency translation		-676	1,050
Measurement of cash flow hedges		164	90
Income taxes relating to cash flow hedges		-39	-30
Items that may not be reclassified to the income statement			
Remeasurement of post-employment benefits		-169	3,383
Investments accounted for at equity – amounts recognised in other comprehensive income		0	4
Income taxes relating to the remeasurement of post-employment benefits		41	-1,016
Other comprehensive income, net of tax		- 679	3,481
Total comprehensive income		-1,196	3,193
Total comprehensive income attributable to:			
Equity holders of the company		-1,649	3,032
Non-controlling interests		453	161
		-1,196	3,193

Consolidated statement of financial position

ASSETS	Note	30 June 2023 EUR thousand unaudited	31 Dec. 2022 EUR thousand audited
Non-current assets			
Property, plant, and equipment		55,018	53,298
Intangible assets		16,141	14,501
Goodwill	(8)	7,816	5,834
Investments accounted for at equity		2,012	2,097
Equity instruments		22	0
Advance payments for non-current assets		0	35
Other non-current financial assets		897	885
Deferred tax assets		4,562	3,785
		86,468	80,435
Current assets			
Inventories	(9)	31,099	21,726
Trade accounts receivable		63,927	76,990
Contract assets	(10)	71,529	50,475
Contract costs		3,316	4,024
Other current financial assets	(11)	3,359	2,759
Other current non-financial assets	(11)	14,817	11,360
Income tax receivables		2,225	1,126
Time deposits		26,000	10,000
Cash and cash equivalents		54,530	81,380
		270,802	259,840
Total assets		357,270	340,275

LIABILITIES AND EQUITY	Note	30 June 2023 EUR thousand unaudited	31 Dec. 2022 EUR thousand audited
Shareholders' equity			
Share capital		13,280	13,280
Capital reserves		21,138	21,138
Retained earnings	(12) (13)	105,943	110,494
Treasury shares		-24	-221
Adjustments for foreign currency translation		-298	364
Equity attributable to equity holders of the parent company		140,039	145,055
Non-controlling interests		2,801	2,224
Total shareholders' equity		142,840	147,279
Non-current liabilities			
Liabilities to banks and other financial liabilities	(14)	169	218
Provisions	(15)	18,065	17,263
Lease liabilities		30,484	30,763
Other non-current financial liabilities		6,521	4,239
Deferred tax liabilities		9,359	9,441
		64,598	61,924
Current liabilities			
Liabilities to banks and other financial liabilities		5,225	199
Contract liabilities	(10)	70,839	68,035
Trade accounts payable		22,676	16,258
Provisions	(15)	9,526	14,914
Lease liabilities		7,698	8,422
Other current financial liabilities	(16)	8,378	6,087
Other current non-financial liabilities	(16)	18,817	10,261
Current tax liabilities		6,673	6,896
		149,832	131,072
Total shareholders' equity and liabilities		357,270	340,275

Consolidated cash flow statement

	Note	01-06/2023 EUR thousand unaudited	01-06/2022 EUR thousand unaudited
Profit/loss before tax		-320	-699
Net interest income/expense		363	275
Foreign currency translation		266	-226
Profit/loss from the disposal of non-current assets		3	-1
Depreciation of property, plant, and equipment and amortisation of intangible assets		8,479	8,992
Earnings from investments accounted for at equity		-154	-119
Change in provisions		-4,764	-5,690
Other non-cash income/expenses		197	206
Net cash flow from operations		4,070	2,738
Change in inventories	(9)	-9,373	-10,344
Change in trade accounts receivable		13,556	19,788
Change in contract assets	(10)	-21,054	-12,429
Change in contract costs		708	-66
Change in other receivables		-3,139	-5,453
Change in trade accounts payable		6,035	5,197
Change in contract liabilities	(10)	1,158	-3,506
Change in other liabilities	(16)	10,763	3,536
Change in net working capital		-1,346	-3,277
Interest paid		-833	-320
Interest received		191	43
Dividends received		0	0
Income taxes paid/refunded		-3,083	-2,482
Net cash flow from operating activities		-1,001	-3,298

	Note	01-06/2023 EUR thousand unaudited	01-06/2022 EUR thousand unaudited
Cash inflows from the sale of intangible assets		0	0
Cash inflows from the sale of property, plant, and equipment		6	132
Cash inflows from time deposits		5,000	1,993
Cash outflows for the purchase of intangible assets		-492	-528
Cash outflows for the purchase of property, plant, and equipment		-5,219	-3,690
Cash outflows for time deposits		-21,000	0
Cash outflows for investments accounted for at equity		0	-35
Cash outflows for the acquisition of subsidiaries, less acquired cash and cash equivalents		-1,227	-2,097
Net cash flow from investing activities		-22,932	-4,225
Dividends paid to owners	(12)	-2,921	-2,654
Dividends paid to non-controlling interests		-469	-896
Cash inflows from loans and other financing		5,600	21
Cash outflows for repayment of loans and other financing		-160	-4,548
Cash outflows for payments of principal on lease liabilities		-4,450	-4,215
Net cash flow from financing activities		-2,400	-12,292
Change in cash and cash equivalents:			
Net cash flow from operating activities		-1,001	-3,298
Net cash flow from investing activities		-22,932	-4,225
Net cash flow from financing activities		-2,400	-12,292
Net change in cash and cash equivalents		-26,333	-19,815
Cash and cash equivalents at start of period		81,380	103,798
Cash-flow related change in cash and cash equivalents		-26,333	-19,815
Foreign currency translation		-517	705
Cash and cash equivalents at end of period		54,530	84,688

Consolidated statement of changes in shareholders' equity

in EUR thousand	Share capital	Capital reserves	IAS 19 reserve	Option reserve	Cash flow hedge reserve	Retained earnings	Treasury shares	Foreign currency translation	Equity attributable to equity holders of the parent company	Non-controlling interests	Total shareholders' equity
Note				[13]			[12]				
As at 1 January 2023	13,280	21,138	-3,524	739	-125	113,403	-221	364	145,055	2,224	147,279
Profit/loss for the period						-996			-996	480	-517
Other comprehensive income			-116		125			-662	-653	-26	-679
Total comprehensive income			-116		125	-996		-662	-1,650	453	-1,196
Dividends						-2,921			-2,921	-469	-3,390
Change in treasury shares						-165	196		31		31
Acquisition of non-controlling interests										1,123	1,123
Changes in connection with put options						-373			-373	-530	-903
Other changes				-103		-1			-104		-104
As at 30 June 2023	13,280	21,138	-3,640	636	0	108,947	-24	-298	140,038	2,801	142,839

in EUR thousand	Share capital	Capital reserves	IAS 19 reserve	Option reserve	Cash flow hedge reserve	Retained earnings	Treasury shares	Foreign currency translation	Equity attributable to equity holders of the parent company	Non-controlling interests	Total shareholders' equity
Note				[13]			[12]				
As at 1 January 2022	13,280	21,138	-6,284	602	-346	98,302	-384	106	126,414	3,436	129,850
Profit/loss for the period						-377			-377	89	-288
Other comprehensive income			2,309		60			1,038	3,408	73	3,481
Total comprehensive income			2,309		60	-377		1,038	3,032	161	3,193
Dividends						-2,654			-2,654	-896	-3,550
Change in treasury shares						-44	163		119		119
Acquisition of non-controlling interests										1,592	1,592
Changes in connection with put options						-167			-167	-1,148	-1,314
Other changes				-47		-92			-138		-138
As at 30 June 2022	13,280	21,138	-3,975	556	-286	94,968	-221	1,144	126,605	3,146	129,751

Selected notes to the condensed consolidated interim financial statements

1. General information

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

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

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

In the opinion of the management, the consolidated interim financial statements contain all adjustments required to provide a true and fair view of the Frequentis Group's net assets, financial position, and results of operations. The consolidated interim financial statements have not been audited, nor have they been subject to a review. They should be read in conjunction with the audited consolidated financial statements of the Frequentis Group as at 31 December 2022 and are not necessarily indicative of the year-end results for 2023.

Compared to other sectors of the economy, the sectors in which the Frequentis Group operates (information and communication systems for civil and military air traffic control, emergency services, rail and water transport) have relatively low cyclical exposure. Within the sector, the individual segments of the Frequentis Group are exposed to the same fluctuations as their competitors (lower revenues and earnings in the first and second quarters and higher revenues and earnings in the third and fourth quarters). This is because a high proportion of the Frequentis Group's customers are public authorities and government-related businesses, which often only utilise their budget for the current year in the final quarter since they only take the related decisions in the third or fourth quarter. Consequently, the Frequentis Group normally generates a considerable proportion of its revenues in the second half of the year and usually reports negative earnings during the first half of the year as fixed costs are incurred evenly during the year.

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

Consolidated group

Besides Frequentis AG, which is the parent company of the consolidated group, the consolidated financial statements of Frequentis AG include 6 (31 December 2022: 6) domestic subsidiaries and 30 (31 December 2022: 28) foreign subsidiaries controlled by Frequentis AG.

Changes to the consolidated group

AIRNAV Technology Services Inc.

The increase in the interest in **AIRNAV Technology Services Inc.**, (registered office: Iloilo, Philippines) from 40% to 65% to extend the system engineering services in Asia was successfully completed on 20 February 2023.

The purchase agreement for the increase in the interest was signed in December 2021 but the transaction was only closed on 20 February 2023 as a result of delays in official registration procedures.

The contractually agreed purchase price of EUR 35 thousand was paid on 21 January 2022 and recognised in the annual financial statements for 2022 in the line item advance payments for non-current assets.

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

	Fair value as at 20 Feb. 2023 100% EUR thousand	Fair value as at 20 Feb. 2023 25% EUR thousand
Property, plant, and equipment	66	17
Trade accounts receivable	85	21
Other assets	2	0
Cash and cash equivalents	171	43
Trade accounts payable	-96	-24
Other liabilities	-61	-15
Other current provisions	-8	-2
Current tax liabilities	-6	-2
Net assets	153	38
Consideration paid		35
Profit from the business combination		3

The fair value of the net assets acquired exceeded the consideration paid due to the delay in closing the transaction. The profit from the business combination was recognised immediately in profit/loss.

Transaction costs incurred for the business combination were expensed as incurred. The receivables assumed did not contain any receivables that are expected to be uncollectable, so the carrying amount corresponded to the fair value.

Since the acquisition, AIRNAV has contributed EBIT of EUR 49 thousand to the consolidated figures of the Frequentis Group. This transaction did not increase consolidated revenues because AIRNAV works exclusively for the Frequentis Group.

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

FRAFOS

On 3 April 2023, Frequentis acquired – through its wholly owned subsidiary Frequentis Invest4Tech GmbH – 76.67% of shares in **FRAFOS GmbH** (registered office: Berlin, Germany) and its wholly owned subsidiary FRAFOS CZ s.r.o (registered office: Prague, Czech Republic). FRAFOS solutions are approved for mission-critical installations in government organisations and the company will provide an important component for cyber security for Frequentis communications in all safety-critical areas.

FRAFOS is a leading provider of IT security solutions for VoIP communications in Germany, offering various software products, including cloud-native solutions developed for virtualised environments, and public-service-approved solutions for mission-critical installations. The FRAFOS Session Border Control (SBC) solution separates communication systems and networks from open, untrusted internet access, blocks DoS (denial-of-service) attacks and fraud attempts, hides the internal network structure from outsiders, and blacklists suspicious sources. FRAFOS has been allocated to the Public Safety & Transport (PST) segment.

The purchase agreement was signed on 20 February 2023 and transfer of control took place on 3 April 2023.

The contractually agreed purchase price comprised the following components:

	Fair value as at 3 Apr. 2023 100% EUR thousand	Fair value as at 3 Apr. 2023 76.67% EUR thousand
Basic purchase price	3,000	2,300
Purchase price adjustment	601	461
Earn-out	981	752
Total consideration	4,582	3,513

The purchase price adjustment was contingent upon settlement of the customer invoices specified in the purchase agreement by 30 April 2023. Of the maximum adjustment of EUR 466 thousand, EUR 461 thousand was paid.

The earn-out obligation is based on the achievement of the annual EBIT targets for the years 2023 to 2026.

In accordance with the purchase agreement, EUR 2,300 thousand was paid at the closing date and EUR 461 thousand was paid on 15 June 2023 when payment of the customer invoices had been verified.

In addition, the purchase agreement includes an option for non-controlling shareholders in FRAFOS to transfer their interests to Frequentis Invest4Tech. If this option is exercised, Frequentis Invest4Tech has an irrevocable obligation to acquire the interests in this business. The put option can be exercised at the earliest after the resolution on the annual financial statements for 2026. It is based on the enterprise value, calculated as a multiples valuation less net financial debt. This multiples valuation is based on average EBIT for the three financial years immediately preceding exercise of the option. The liability from this put option in the amount of EUR 658 thousand, which has already been recognised in other non-current financial liabilities, reduced the non-controlling interests to EUR 411 thousand as at the acquisition date.

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

	Fair value as at 3 Apr. 2023 100%	Fair value as at 3 Apr. 2023 76.67%
	EUR thousand	EUR thousand
Intangible assets	2,799	2,146
Property, plant, and equipment	23	18
Trade accounts receivable	207	159
Other assets	829	635
Cash and cash equivalents	1,363	1,045
Deferred tax liabilities	-844	-647
Contract liabilities	-1,645	-1,261
Trade accounts payable	-22	-17
Other liabilities	-102	-79
Other current provisions	-1	-0
Net assets	2,607	1,999
Consideration paid	4,582	3,513
Goodwill	1,975	1,514

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

Transaction costs incurred for the business combination were expensed as incurred. The receivables assumed did not contain any receivables that are expected to be uncollectable, so the carrying amount corresponded to the fair value.

Since the acquisition, FRAFOS has contributed revenues of EUR 638 thousand and EBIT of EUR 144 thousand to the consolidated figures of the Frequentis Group.

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

Other changes to the consolidated group

As at 1 January 2023, Frequentis Canada ATM Ltd. was merged into Frequentis Canada Ltd. As at 21 February 2023, BlueCall Systems GmbH was renamed Frequentis Invest4Tech GmbH. Neither of these transactions had an impact on the consolidated financial statements.

Since Frequentis no longer provides a managing director for AIRlabs Austria GmbH (18% interest) and has thus relinquished its material influence, this company is no longer accounted for using the equity method; it is now presented as an equity instrument.

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. The significant assumptions and key sources of estimation uncertainty remain unchanged from those set out in the notes to last year's consolidated financial statements. The actual results could differ from these estimates.

New and amended standards and interpretations

When preparing the consolidated 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 2023 and were effective at that date:

- Insurance Contracts (IFRS 17)
- Disclosure of Accounting Policies (IAS 1)
- Changes in Accounting Estimates and Errors (IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (IAS 12)

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

Notes to the consolidated income statement

3. Segment report

Operating segments

- Air Traffic Management
- Public Safety & Transport

The main customer groups in the market served by the Air Traffic Management (ATM) segment are civil and military air traffic control and homeland security organisations. The Frequentis Group supports its customers in their central role of air traffic management and efficient and safe control and management of aviation. Product solutions for control centres in the ATM segment range from voice communication, networks, (remote) digital towers, ATC towers, surveillance, AIM (aeronautical information management), and AMHS (aeronautical message handling systems) to ATM/UTM (uncrewed 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 local public transport systems), and maritime (coastguards, port authorities, and organisations that monitor shipping on inland waterways). The Frequentis Group's PST segment delivers control centre solutions for police, ambulance, and fire service organisations, search and rescue, coastal surveillance, operations communications, and incident and crisis management. FRAFOS, which was acquired in 2023, has been allocated to the PST segment. This acquisition has generated revenues of EUR 638 thousand and EBIT of EUR 144 thousand since the acquisition date.

Data on the operating segments

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

01-06/2023	Air Traffic Management EUR thousand	Public Safety & Transport EUR thousand	Reconciliation/ consolidation EUR thousand	Total EUR thousand
Revenues	122,501	64,112	186	186,799
Change in inventories of finished goods and work in progress	1,205	580	617	2,402
Own work capitalised	2,418	0	70	2,488
Other operating income	3,062	665	146	3,873
Profit from business combinations	0	0	3	3
Total income (operating performance)	129,186	65,357	1,022	195,565
EBIT	-5,902	5,805	-197	-295

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

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

Details of Group-wide data

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

Orders on hand as at 30 June 2023 totalled EUR 546,720 thousand (30 June 2022: EUR 498,085 thousand). The ATM segment accounted for EUR 343,741 thousand (30 June 2022: EUR 319,989 thousand) of this amount and the PST segment for EUR 202,979 thousand (30 June 2022: EUR 178,096 thousand).

4. Revenues

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

	01-06/2023 EUR thousand	01-06/2022 EUR thousand
New products and/or new customer business	70,510	68,208
IBB (installed base business)	109,757	94,085
Other revenues	6,532	5,003
	186,799	167,296

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

	01-06/2023 EUR thousand	01-06/2022 EUR thousand
Europe	125,590	109,106
Americas	26,799	27,974
Asia	19,557	18,263
Australia/Pacific	11,934	8,795
Africa	1,591	1,811
Small orders (not allocated)	1,329	1,347
	186,799	167,296

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

5. Own work capitalised

Almost all of the expenses capitalised in the reporting period were for self-produced assets in connection with an operating lease.

6. Other operating expenses

	01-06/2023 EUR thousand	01-06/2022 EUR thousand
Travel expenses	6,006	4,500
Other consulting expenses	2,463	2,589
External personnel	2,275	2,124
Advertising	2,100	1,988
Licenses (terms of up to 1 year)	1,991	1,140
Energy	1,801	940
Exchange rate differences	1,573	637
Insurance expenses	1,379	1,342
Maintenance	1,205	1,122
Legal and consulting expenses	1,203	1,102
Operating expenses (buildings)	855	676
Transport	804	648
Staff recruitment	744	440
Vehicles	635	498
Telephone and communications expenses	618	613
Cleaning	555	504
Changes in the fair value of forward exchange contracts	3	924
Miscellaneous	2,833	293
	29,043	22,080

Since unrestricted travel is now possible, travel expenses were EUR 1,506 thousand higher than in the previous year at EUR 6,006 thousand. In absolute terms, they are back at the 2019 level (H1 2019: EUR 5,957 thousand) but relative to revenues, they are lower: 3.2% of revenues in H1 2023 compared with 4.5% of revenues in H1 2019.

EUR 2,055 thousand of the increase in miscellaneous expenses was due to changes in provisions for projects.

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

	01-06/2023 EUR thousand	01-06/2022 EUR thousand
Depreciation of right-of-use assets	4,465	4,515
Depreciation of property, plant, and equipment and amortisation of intangible assets	3,478	3,961
Depreciation and amortisation of low-value assets	540	516
	8,483	8,992

8. Goodwill

Goodwill increased by EUR 1,982 thousand in the reporting period. EUR 1,975 thousand of this amount was due to the acquisition of FRAFOS GmbH and EUR 7 thousand was due to currency translation differences at Systems Interface Ltd.

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

	30 June 2023 EUR thousand	31 Dec. 2022 EUR thousand
ATRICS Advanced Traffic Solutions GmbH	0	0
FRAFOS GmbH	1,975	0
Frequentis Comsoft GmbH	909	909
Frequentis Orthogon GmbH	2,263	2,263
Regola S.r.l.	2,412	2,412
Systems Interface Ltd.	204	197
team Technology Management GmbH	53	53
	7,816	5,834

The accumulated impairment losses were EUR 1,730 thousand (31 December 2022: EUR 1,730 thousand) at ATRICS Advanced Traffic Solutions GmbH and EUR 1,072 thousand (31 December 2022: EUR 1,072 thousand) at Systems Interface Ltd.

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

9. Inventories

The increase in inventories was mainly due to increased stocking of components and assemblies to ensure an adequate safety net to meet long-standing delivery and maintenance obligations despite the withdrawal of products by producers and supply bottlenecks. Moreover, part of the increase was due to the customary sharp rise in inventories in the first half of the year to cover project requirements in the second half.

10. Contract assets and contract liabilities

	30 June 2023 EUR thousand	31 Dec. 2022 EUR thousand
Contract assets	112,969	85,345
Advances from customers	-41,440	-34,870
	71,529	50,475

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

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

The increase in contract assets compared with 31 December 2022 is the net result of a large number of newly commenced and invoiced projects.

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

The following table shows the structure of contract liabilities:

	30 June 2023 EUR thousand	31 Dec. 2022 EUR thousand
Advances for customer projects	89,765	80,029
Advances offset against contract assets	-38,022	-32,048
	51,743	47,981
Other contract liabilities	6,917	13,382
Other contract liabilities offset against contract assets	-3,418	-2,822
	3,499	10,560
Accrued revenue for maintenance contracts	14,881	8,798
Liabilities for outstanding performance obligations for customer orders after final invoicing (current)	705	691
Liabilities for outstanding performance obligations for customer orders after final invoicing (non-current)	11	5
Total contract liabilities	70,839	68,035

11. Other current assets

	30 June 2023 EUR thousand	31 Dec. 2022 EUR thousand
Receivables from grants and subsidies	1,975	1,860
Positive fair value of cash flow hedges and MTM valuation	835	661
Other financial assets	549	238
Other current financial assets	3,359	2,759
Prepaid expenses and deferred charges	8,938	5,869
Receivables from fiscal authorities (excluding income taxes)	916	1,508
Other assets	4,963	3,983
Other current non-financial assets	14,817	11,360

12. Share capital and retained earnings

Treasury shares

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

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

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

With the approval of the Supervisory Board, in May 2023 the Executive Board passed a resolution to transfer 7,925 treasury shares to the Chairman of the Executive Board for achievement of the targets for the LTIP 2020, under exclusion of the subscription rights of shareholders.

As at 30 June 2023, Frequentis held 985 treasury shares (30 June 2022: 8,910).

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

Dividend

The Annual General Meeting of Frequentis AG on 1 June 2023 passed a resolution to pay a dividend of EUR 0.22 per no-par-value share entitled to the dividend for the 2022 financial year. The dividend totalling EUR 2,921 thousand was paid in June 2023.

13. Share-based payment

Frequentis AG agreed long-term incentive plans with the Chairman of the Executive Board, Mr. Norbert Haslacher, in 2020, 2021, 2022, and 2023 (LTIP 2020, LTIP 2021, LTIP 2022, and LTIP 2023).

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

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

The service period for the fulfilment of the targets has been set at three years. The targets for the key indicators were set by the Supervisory Board. On the settlement date (at the earliest three years after the grant date), a maximum of 17,000 shares each for the LTIP 2020 and 2021 and a maximum of 18,000 shares each for the LTIP 2022 and 2023 (gross, i.e., before deduction of taxes and fees) but no more than 200% of the beneficiary's annual gross base salary will be granted if the targets are fully achieved. Settlement is effected by transferring the number of shares corresponding to the net amount of the award to the respective securities account.

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

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

The following table summarises the main conditions for the share-based payment granted in the reporting period (the LTIP 2020 ended in the reporting period):

	LTIP 2023	LTIP 2022	LTIP 2021	LTIP 2020
Beginning of the plan	1 Jan. 2023	1 Jan. 2022	1 Jan. 2021	1 Jan. 2020
Date of approval by General Meeting	1 June 2023	2 June 2022	20 May 2021	14 May 2020
Grant date	1 June 2023	2 June 2022	15 June 2021	14 May 2020
End of service period	31 Dec. 2025	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022
Vesting date	30 Apr. 2026	30 Apr. 2025	30 Apr. 2024	30 Apr. 2023
Expected target achievement	88.5%	80.5%	98.9%	130%
Expected no. of shares	15,930	14,490	16,813	17,000
Maximum no. of shares	18,000	18,000	17,000	17,000
Bonus shares allocated	None	None	None	None

The agreed targets are measured against the following performance indicators:

LTIP 2023	LTIP 2022	LTIP 2021	LTIP 2020
Total shareholder return (TSR)	Total shareholder return (TSR)	Total shareholder return (TSR)	Total shareholder return (TSR)
Orders on hand / book-to-bill ratio	Revenue growth	Increase in operating performance through key accounts	Orders on hand
Order intake at selected Group companies	Earnings increase	Growth through new business development	Growth in the regions
Growth in operating performance in the Public Safety & Transport segment	Employee satisfaction		Growth through acquisitions
Strengthening age diversity and development of the next generation of managers			

In May 2023, the targets set for the LTIP 2020 were evaluated for the performance period from 1 January 2020 to 31 December 2022 and it was established that they had been fully met, so 17,000 treasury shares (gross number of shares before taxes) were to be transferred to the Chairman of the Executive Board. Taking into consideration the tax to be withheld, 7,925 treasury shares were transferred in this context.

Of the expected total future expense relating to the LTIPs, the portion already earned as at the reporting date is recognised in shareholders' equity. This is based on the fair value on the grant date. The total expected expense for the LTIP obligation is measured at the fair value of the share relative to the share price on the date of the agreement, multiplied by the number of shares granted and the expected target achievement. In the reporting period, EUR 213 thousand (H1 2022: EUR 227 thousand) including payroll-related costs was recognised in personnel expenses in the consolidated statement of comprehensive income and in shareholders' equity for the LTIPs.

For the LTIPs, it is assumed that both the market-oriented targets 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.

14. Current liabilities to banks and other financial liabilities

Current liabilities to banks and other financial liabilities increased as a result of short-term interim financing of EUR 5,000 thousand. Repayment in August 2023 has been agreed.

15. Provisions

The provisions comprise:

	30 June 2023 EUR thousand	31 Dec. 2022 EUR thousand
Provisions for severance payments	14,795	14,529
Provisions for pensions	4,172	4,356
Less pension insurance scheme	-2,414	-2,365
	1,758	1,991
Provisions for anniversary bonuses	301	302
Other provisions	1,211	441
Total non-current provisions	18,065	17,263
Provisions for bonuses	6,117	11,207
Provisions for projects	680	1,220
Provision for litigation costs	844	1,027
Other provisions	1,885	1,460
Total current provisions	9,526	14,914

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

The other non-current provisions contain provisions of EUR 1,024 thousand (31 December 2022: EUR 211 thousand) for projects because the expected future expenses exceed expected revenues.

The effect of the remeasurement of post-employment benefits in the first half of 2022 was attributable to a necessary adjustment in the discount rate, whereas an adjustment on this scale was not necessary in the first half of 2023.

The reduction in provisions for bonuses resulted from almost complete disbursement of bonuses and variable salaries to employees for 2022, while only pro-rata additions were made to provisions for 2023.

16. Other liabilities

The other liabilities comprise:

	30 June 2023 EUR thousand	31 Dec. 2022 EUR thousand
Liability for put options, non-controlling interests	4,103	3,262
Earn-out payment liability	382	0
Loan from FFG (Austrian Research Promotion Agency)	747	284
Liabilities relating to advance payments for operating leases as lessor	587	0
Loans from non-controlling interests	440	426
Other liabilities	262	267
Total non-current financial liabilities	6,521	4,239
Liability for put options, non-controlling interests	2,848	2,786
Liabilities relating to advance payments for operating leases as lessor	2,599	0
Negative fair values of cash flow hedges and MTM valuation	850	1,591
Earn-out payment liability	370	250
Loans from non-controlling interests	30	30
Other liabilities	1,681	1,430
Total current financial liabilities	8,378	6,087
Accrual for holidays not yet taken	7,880	4,642
Liabilities to the Austrian fiscal authorities (excluding income taxes)	3,176	1,968
Advances received in connection with grants and subsidies	807	762
Liabilities to health insurers	4,891	702
Accrual for overtime	725	635
Accrual for consultancy costs	310	595
Other liabilities	1,028	957
Total current non-financial liabilities	18,817	10,261

Other information

17. Financial instruments

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

30 June 2023	Measured at fair value			Measured at amortised cost		Total carrying amount
	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			22			22
Time deposits				26,000		26,000
Trade accounts receivable				63,927		63,927
Derivative financial instruments		835				835
Other current and non-current assets				3,421		3,421
Cash and cash equivalents				54,530		54,530
Total		835	22	147,878		148,735
Financial liabilities						
Liabilities to banks and other financial liabilities					5,394	5,394
Trade accounts payable					22,676	22,676
Lease liabilities					38,182	38,182
Derivative financial instruments		850				850
Other liabilities		6,951			7,098	14,049
Total		7,801			73,350	81,151

31 Dec. 2022	Measured at fair value			Measured at amortised cost		Total carrying amount
	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			0			0
Time deposits				10,000		10,000
Trade accounts receivable				76,990		76,990
Derivative financial instruments	3	658				661
Other current and non-current assets				2,983		2,983
Cash and cash equivalents				81,380		81,380
Total	3	658		171,353		172,014
Financial liabilities						
Liabilities to banks and other financial liabilities					417	417
Trade accounts payable					16,258	16,258
Lease liabilities					39,185	39,185
Derivative financial instruments	273	1,318				1,591
Other liabilities		6,298			2,437	8,735
Total	273	7,616			58,297	66,186

Fair value

Trade accounts receivable, contract assets, other receivables, time deposits, cash and cash equivalents, trade accounts payable, contract liabilities, other liabilities, and current liabilities to banks and financial 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, Altitude Angel Ltd. and AIRlabs GmbH, there is no quoted price available on an active market. Therefore, they are measured using parameters that are unobservable on the market. Measurement is based on the discounted cash flow method or any equity transactions close to the reporting date. The fair value is allocated to level 3 in the fair value hierarchy. There is currently no intention of selling the equity instruments.

The earn-out liabilities relating to the acquisition of ATRiCS Advanced Traffic Solutions GmbH and FRAFOS GmbH are measured at fair value and allocated to the category at fair value through profit or loss. The fair value is allocated to level 3 in the fair value hierarchy.

The liabilities relating to the put options of the non-controlling interests in ELARA Leitstellentechnik GmbH, Regola S.r.l., and FRAFOS GmbH are recognised at fair value, while changes are recognised in equity with no impact on profit or loss in accordance with IFRS 10. The fair value is allocated to level 3 in the fair value hierarchy. Since there is no category for this, in the above table the amount is recognised in other liabilities at fair value through profit or loss.

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

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

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

Level	Financial instruments at fair value
Level 2:	
Measurement based on quoted prices for similar assets	Derivative financial instruments
Level 3:	
Measurement based on models with significant valuation parameters that are unobservable on the market	Equity instruments, earn-out liabilities, liabilities from put options

Derivative financial instruments

The carrying amount of derivative financial instruments corresponds to their current fair value, whereby the fair value was determined from the current market value based on the closing exchange rate for the foreign currency as at 30 June 2023.

The following table shows the development of the derivative financial instruments:

30 June 2023	Derivative		Average hedging rate	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	-5,327	3,382	1.57	0	0	-5,327	162	162
CAD	1,000	-673	1.48	0	0	1,000	16	16
GBP	-467	545	0.86	0	0	-467	6	6
SGD	-716	495	1.45	0	0	-716	9	9
USD	-20,768	19,328	1.07	0	0	-20,768	642	642
		23,077			0		835	835
AUD	-245	147	1.67	0	0	-245	-2	-2
CAD	-1,797	1,175	1.53	0	0	-1,797	-54	-54
GBP	-10,064	11,175	0.90	0	0	-10,064	-165	-165
NOK	5,000	-433	11.54	0	0	5,000	-7	-7
QAR	-863	217	3.98	0	0	-863	-1	-1
SGD	-800	471	1.70	0	0	-800	-70	-70
USD	-8,984	7,574	1.19	0	0	-8,984	-551	-551
		20,326			0		-850	-850

31 Dec. 2022	Derivative		Average hedging rate	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	-7,456	4,751	1.57	0	0	-7,456	72	72
CHF	-104	107	0.98	0	0	-104	0	0
GBP	-3,465	3,954	0.88	-264	3	-3,201	94	97
SGD	-227	157	1.44	0	0	-227	0	0
USD	-25,810	24,022	1.07	0	0	-25,810	491	491
		32,991			3		657	661
AUD	-533	323	1.65	0	0	-533	-12	-12
CAD	-1,820	1,173	1.55	0	0	-1,820	-60	-60
GBP	-6,668	7,101	0.94	-5,672	-273	-996	-59	-332
HUF	-10,029	22	452.83	0	0	-10,029	0	0
QAR	-5,174	1,301	3.98	0	0	-5,174	-24	-24
SGD	-1,300	815	1.60	0	0	-1,300	-83	-83
USD	-12,656	10,570	1.20	0	0	-12,656	-1,080	-1,080
		21,305			- 273		-1,318	-1,591

For the carrying amount of the cash flow hedge and the carrying amount of the MTM valuation, a positive fair value of EUR 835 thousand was recognised in other receivables as at 30 June 2023 (31 December 2022: EUR 661 thousand), while a negative fair value of EUR 850 thousand was recognised in other liabilities (31 December 2022: EUR 1,591 thousand). When the hedged item (revenue) is realised, the amount relating to the hedging transaction recognised in other comprehensive income is reclassified to revenues.

18. Information on business relations with related parties

Transactions with associated companies and related parties are not material and mainly comprise deliveries of goods and services. These transactions are undertaken exclusively on an arm's length basis and there were no material changes compared with the transactions presented in note 37 in the annual report for 2022.

19. Significant events after the reporting date

On 16 June 2023, an agreement was signed to acquire 100% of the shares in GuardREC ATC AS, which has its registered office in Borre, Norway. This transaction was closed on 3 July 2023. As part of the integration process, the company has already been renamed Frequentis Recording AS.

The purchase price for the shares in this company comprised a basic purchase price of EUR 4,500 thousand, working capital and net debt adjustments based on the actual figures as at 3 July 2023 (which were not fully available as at the reporting date), and a variable performance-related earn-out component.

On 3 July 2023, the interest in Secure Service Provision GmbH, Germany, was increased from 80% to 100%.

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 2023, 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 2023, 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, 14 August 2023



Norbert Haslacher
Chairman
of the Executive Board



Monika Haselbacher
Member
of the Executive Board



Hermann Mattanovich
Member
of the Executive Board



Peter Skerlan
Member
of the Executive Board

Financial Calendar

<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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