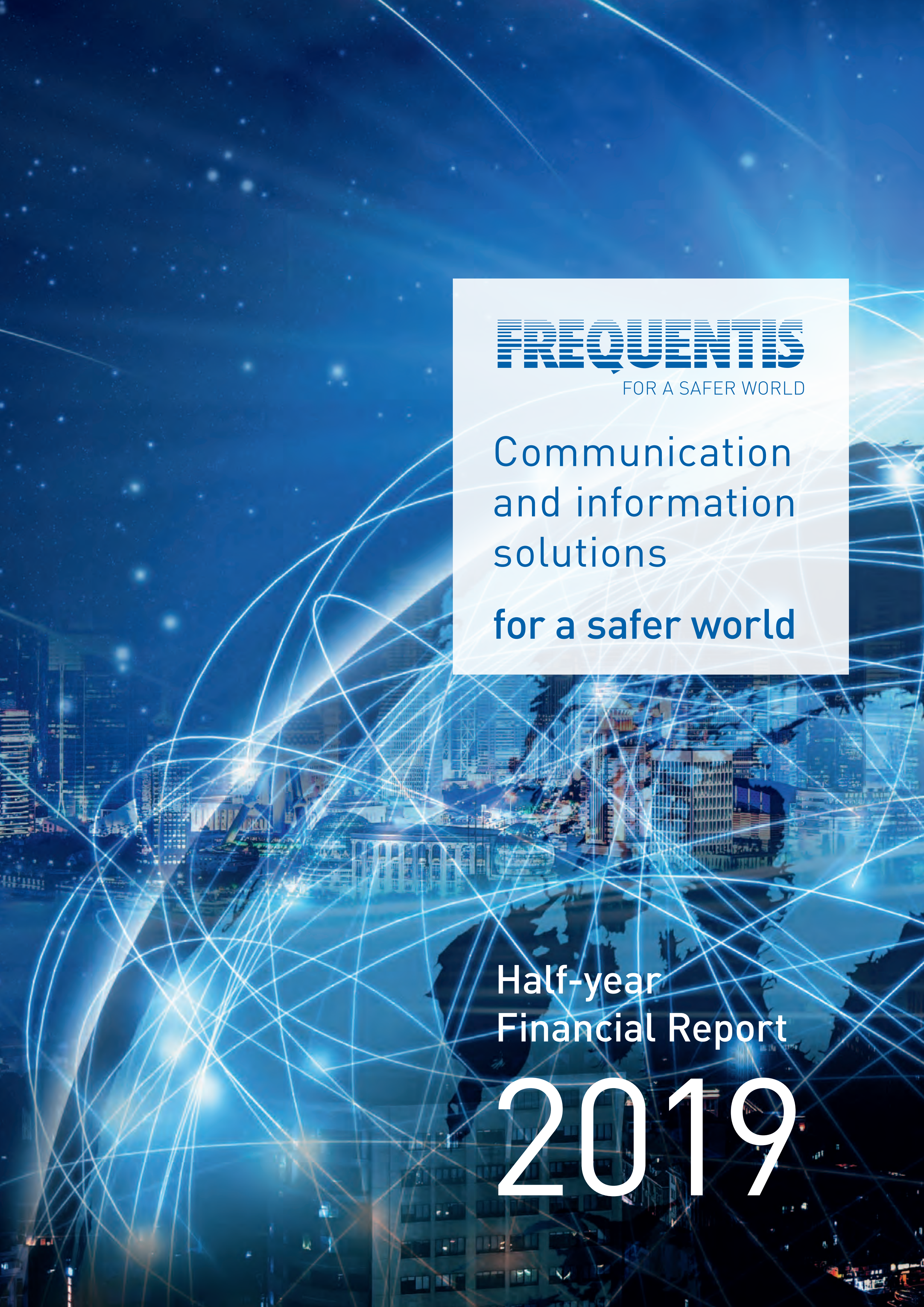

FREQUENTIS

FOR A SAFER WORLD

Communication and information solutions

for a safer world

Half-year Financial Report 2019

Key figures Frequentis Group

in EUR million	H1 2019[1]	H1 2018	+/- in %	+/- in EUR million	2018
Revenues	132.4	123.8	+7.0%	+8.6	285.8
EBITDA	2.4	-2.5	–	+4.9	21.6
EBIT	-3.9	-5.5	+29.1%	+1.6	15.6
Profit/loss for the period	-2.4	-3.8	+36.1%	+1.4	11.8
Earnings per share in EUR	-0.23	-0.36	+34.7%	–	0.94
Net cash flow from operations	1.7	-5.9	–	+7.6	16.5
Net cash flow from operating activities	-6.1	2.8	–	-9.0	4.6
Net cash flow from investing activities[2]	-9.0	-2.2	>100%	-6.8	-4.4
of which capital expenditures	-2.1	-2.6	-18.3%	+0.5	-4.8
Net cash flow from financing activities	16.7	-14.6	–	+31.2	-14.2
Order intake	133.4	148.3	-10.0%	-14.9	306.3
Orders on hand (as at reporting date)	351.8	355.2	-1.0%	-3.4	355.2
Total assets	255.5	191.1	+33.7%	+64.4	198.0
Equity	103.1	70.1	+46.9%	+32.9	85.6
Equity ratio	40.3%	36.7%	+3.6PP	–	43.3%
Net cash position	64.7	55.6	+16.3%	+9.1	55.4
Employees (average)	1,853	1,712	+8.2%	–	1,763

Note: The addition of rounded amounts and percentages may result in rounding differences as a result of the use of automated calculation systems.

[1] Initial application of IFRS 16 (Leases) with effect from 1 January 2019, see notes to the consolidated financial statements, page 21.

[2] Includes also time deposits (short and long-term-term bank deposits).

Preface by the Executive Board

Ladies and gentlemen,

Our IPO in May was the start of a new era in the history of our company. For us, it was the logical next step to secure the long-term financial independence and flexibility of our group of companies and continue our successful development from a small Vienna-based firm specialising in applications for air traffic management to a global leader in safety-critical communication and information systems. Together with our staff, we work daily to meet expectations and are therefore happy to report to you here on the development of the Frequentis Group in the first half of 2019.

The police in North Rhine-Westphalia placed an order for the modernisation and standardisation of its control centre technology. As Germany's largest police organisation comprising 50 police forces that protect the safety of around 18 million inhabitants in this federal state, the NRW police organisation is an important strategic partner for us. The Dutch air traffic control organisation is equally important. For this customer, Frequentis equipped two towers at Schiphol airport in Amsterdam with electronic flight strips in the spring. Schiphol is the world's ninth largest airport with six runways. Up to 11 air traffic controllers coordinate around 500,000 flight movements a year. That involves complex workflows, which made configuration and validation of our solution extremely challenging. Nevertheless, we were able to complete the project on schedule.

Successes like these show that we are making good progress. Compared with the first half of 2018, we grew revenues by 7% and improved earnings. However, it should be noted that our half-year results are not fully comparable due to our customer structure and the nature of project business. Order intake and on-site project acceptance by customers are generally highest at the end of the year. As a rule, this leads to negative half-year results, which may also be affected by reporting date effects.

In the first half of 2019 we received orders totalling EUR 133.4 million. That was a reduction compared with the first half of 2018, because in this period order intake included the OneSKY Australia major multi-year contract. Nevertheless, we anticipate that we will report a further year-on-year increase in order intake in the 2019 financial year.

Contractually secured orders, which include the relevant share of long-term orders received in previous periods, remain high at over EUR 350 million. Over 80% of 2019 revenues were therefore already secured in the first half of the year.

In addition, further successes were achieved after the end of the first half year, especially in innovative areas of application. For example, in July, we secured a USD 8.5 million order from the US Navy. Frequentis will be supplying a voice and data communication system to support an unmanned aircraft programme for in-air refuelling of other aircraft. This will be implemented by March 2021. Frequentis has supplied voice communication systems for aircraft and helicopter carriers to this long-standing customer in the past. This confirms our strategy of growing with our established customer base and is evidence that building up competence in the important future area of drone management is already paying off.

Frequentis has also gained an order from the New Zealand air traffic control organisation for a digital tower system, which will be installed at the country's biggest airport, Auckland International Airport. The signing of this new contract confirms Frequentis' position in the field of remote and digital tower technology. Two systems were recently sold to Argentina and Brazil, and customers in Germany, the UK, Austria and the USA are already using this innovative technology. Following a five-year development period, we have therefore been able to make this technology useable for customers in the few months since the start of marketing last year. The research provider Report Consultant anticipates that the increase in air traffic at tier 1 airports in the coming years will result in a significant rise in demand for remote tower solutions. Its experts predict an average market growth rate for this technology of 36% p.a. between 2019 and 2026.

To enable all new shareholders to participate in our success in the previous financial year, a resolution on the payment of a dividend for 2018 was not taken at the Annual General Meeting, which was held before the IPO. As announced in the prospectus for the initial public offering, at an Extraordinary General Meeting convened for this purpose in September 2019, we will be proposing a dividend of EUR 0.10 per share for 2018.

As you can see, our strategy of positioning Frequentis as an innovation leader that plays an active role in the standardisation of safety-critical applications, building up a global distribution network, and growing with our established customers works. Our employees are pivotal to this, and we would like to take this opportunity to thank them most sincerely for their commitment and their competence in providing solutions. We would also like to thank you, our shareholders and business partners, for the trust you place in us.

Kind regards,

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

Information on the share

IPO

Shares in Frequentis AG have been listed on the Vienna and Frankfurt stock exchanges since 14 May 2019. The initial public offering (IPO) comprised the placement of a total of 2,873,975 shares on the capital market at a price of EUR 18.00 per share. The total placement volume was EUR 51.7 million and the gross proceeds received directly by Frequentis amounted to EUR 21.6 million. Following the IPO the total number of issued shares is 13.2 million.

The shareholder structure of Frequentis AG is currently as follows: the core shareholder Johannes Bardach holds around 68% of the shares (around 8% directly and 60% indirectly via Frequentis Group Holding GmbH), B&C Innovation Investments GmbH holds 10% and the free float is around 22%. For further information on the share, including a price chart, please visit www.frequentis.com/en/ir > Share.

Dividends and treasury shares

At the Extraordinary General Meeting on 20 September 2019, the Executive Board will be proposing a dividend of EUR 0.10 (10 cents) per share for the 2018 financial year. If this is approved at the meeting, the payout will be EUR 1.32 million. The payout ratio for 2018 will therefore be 11.2% (based on the profit for the financial year), following 16.8% for 2017 (based on the basic dividend of EUR 0.15), giving a pro forma dividend yield of 0.55% based on the issue price of EUR 18.00.

Frequentis' dividend policy currently comprises an annual payout ratio in a target range of around 20% to 30% of adjusted profit/loss for the period after tax, with an annual ceiling of around 40% of the net profit reported in the single-entity financial statements of Frequentis AG prepared in accordance with the Austrian Commercial Code (UGB). In the interests of dividend continuity, Frequentis aims to pay a dividend per share that is at least as high as in the previous year.

Frequentis AG did not hold any treasury shares on 30 June 2019.

Group management report as at 30 June 2019

Economic environment

Compared with other sectors of the economy, there are relatively low cyclical fluctuations in the areas in which the Frequentis Group operates (information and communication systems for civil and military air traffic control, police, ambulance and fire service organisations, and rail and water transport). Frequentis' business development would be adversely affected by a significant global downturn in one of these five business domains.

Economic sentiment has continued to deteriorate in 2019. In its latest World Economic Outlook, published in July, the IFM cut its growth forecast for the global economy in 2019 to 3.2%. In April it forecast 3.3% growth and in January 3.5%. The reasons for the lower forecast are the trade and customs disputes between the major trading blocs, especially the USA and China, the Brexit-related uncertainty, and the mounting geopolitical tension and its impact on energy prices.

Growth of 2.6% is forecast for the USA this year, driven by impetus from the tax side. The euro zone is lagging US growth and the IMF anticipates that it will report economic growth of 1.3%. Looking at the largest economies in the euro zone, Spain is expected to grow fastest, by 2.3%, followed by France (1.3%), Germany (0.7%) and Italy, with a growth rate of just 0.1%. The forecast for the UK – assuming an orderly Brexit – is 1.3%, which is exactly in line with the euro zone. While growth in Spain is driven by high capital expenditure and France is benefiting from tax impetus, weaker demand for German exports means that German growth will be below the average for the euro zone. In Italy, the unclear budget situation has caused a drop in domestic demand and investment, with a corresponding impact on the outlook.

The emerging markets and developing economies in Asia are expected to grow by 6.2% in 2019. China is exactly in line with the average, with a forecast growth rate of 6.2%, while the outlook for India is higher at 7.0%. China's growth is being held back by the trade dispute with the USA and declining external demand, although the IMF expects political intervention to cushion the externally induced shock. In India, even higher growth would be possible if domestic demand continues to rise.

For Latin America, the IMF is now forecasting growth of just 0.6% in 2019 – compared with 2.0% in its January forecast. The forecast for Brazil is 0.8%, impacted by uncertainty about the implementation of structural reforms. The Mexican economy should grow by 0.9%. This reflects the effects of low investment and sluggish consumer spending.

Growth of 1.0% is forecast for the Middle East and North Africa, even though this region is suffering from national and geopolitical tensions.

Business performance

Business is subject to seasonal fluctuations over the year. This is due to the customer structure (mainly public authorities and government-related organisations that often only use their budget for the current year in the fourth quarter) and to the nature of project business. Order intake and project acceptance by customers tend to be highest at the end of the year. Since fixed costs are incurred evenly over the year, this normally results in negative earnings in the first six months.

The focus of infrastructure investments varies depending on the investment priorities of different countries. That has an impact on the Frequentis Group insofar as it reflects the focus of the two segments. Taking a global view, Frequentis has such broad diversification across both of its segments and the various regions that this is largely offset and drives growth. The need for investment results from the need to extend existing facilities, pressure on customers to increase efficiency, regulatory requirements and technical progress.

Order intake

Order intake was EUR 133.4 million in the first half of 2019 (H1 2018: EUR 148.3 million), which was 10.0% below the high level in the first half of the previous year. While order intake in the first six months of 2018 was driven by two major multi-year orders (including OneSKY in Australia) with a total value of over EUR 60 million, order intake in the reporting period was distributed over a larger number of smaller and medium-sized orders (Frequentis defines orders as major orders from a volume of over EUR 10 million). In addition, the Public Safety & Transport segment secured a major order worth over EUR 20 million.

Looking at the 12-month rolling order intake, order volume was EUR 291.4 million in the second half of 2018 and the first half of 2019 (H2 2017 plus H1 2018: EUR 310.6 million), a drop of 6.2%.

Important orders received by the Air Traffic Management segment underscore Frequentis' leading position in the market for remote (digital) towers: Airways New Zealand (which operates air traffic control for New Zealand) ordered a second remote tower, and two systems were sold to Argentina and Brazil.

Installed base business in the defence business domain is developing positively: orders for extensive modernisation of air defence infrastructure were secured in both the Czech Republic and Slovakia.

In the public safety business domain, Frequentis' Public Safety & Transport segment secured an order from the Scottish police force in the face of strong competition. Further orders were received from the police in North Rhine-Westphalia and the Rhineland-Palatinate for the ongoing development of their communication systems with the 3020 LifeX, underscoring Frequentis' strong position.

In the public transport business domain, orders were received from a broad range of installed business base customers in Europe and overseas. These comprised both rollout orders and orders for releases and upgrades.

The order received for the Global Maritime Distress and Safety System (GMDSS) in Greenland shows Frequentis' good position in the maritime business domain.

Orders on hand

Orders on hand as at 30 June 2019 totalled EUR 351.8 million, a decline of 1.0% (30 June 2018: EUR 355.2 million). The Air Traffic Management segment accounted for around 56% of total orders on hand (H1 2018: around 64%), while the Public Safety & Transport segment accounted for around 44% (H1 2018: around 36%).

Revenues and total operating performance

Revenues increased by 7.0% to EUR 132.4 million in the first half of 2019, with both segments reporting increases. The Public Safety & Transport segment grew revenues by 8.4% to EUR 39.8 million. That was faster than the Air Traffic Management segment, where revenues increased by 6.4% to EUR 92.6 million. The total operating performance increased by 7.6% to EUR 138.4 million, and thus faster than revenues. In particular, there was a year-on-year rise in other operating income.

Earnings

The cost of materials and purchased services rose by 6.6% to EUR 38.4 million (H1 2018: EUR 36.0 million). The increase was lower than the rise in revenues. By contrast, staff expenses increased by 9.3% to EUR 77.8 million (H1 2018: EUR 71.1 million), driven principally by wage and salary rises and the increase in the headcount.

Other operating expenses declined by 17.4% to EUR 19.9 million (H1 2018: EUR 24.0 million), mainly because lease expense of EUR 3.7 million was reclassified to depreciation and interest expense as a result of initial application of IFRS 16 (Leases, see consolidated interim financial statements, page 21), and because provisions for projects were lower in the first half of 2019 than in the prior-year period. The expenses for the initial public offering (IPO) were incurred in both 2019 and 2018, Moreover, a considerable proportion was booked against equity. Consequently, no significant amount had to be recognised in other operating expenses in the first half of 2019.

EBITDA (earnings before interest, taxes, depreciation and amortisation) improved from minus EUR 2.5 million in the first half of 2018 to EUR 2.4 million in the reporting period, with EUR 3.7 million of this coming from the reclassification of lease expense. Therefore, the EBITDA margin (based on revenues) was 1.8% compared with minus 2.0% in the prior-year period.

Depreciation and amortisation increased by EUR 3.3 million to EUR 6.3 million. The accounting changes due to IFRS 16 increased this item by EUR 3.5 million, while ongoing depreciation and amortisation decreased by EUR 0.2 million.

In line with the customary business pattern during the year, EBIT was negative in the first six months, but improved by EUR 1.6 million year-on-year to minus EUR 3.9 million. This was partly due to high-margin projects.

The financial results fell to minus EUR 0.2 million (H1 2018: EUR 0.0 million), mainly due to the above reclassification of part of the lease expense to interest expense. The earnings from investments declined to less than EUR 0.1 million in the first half of 2019 (H1 2018: more than EUR 0.1 million).

The income from income taxes increased by 3.3% to EUR 1.6 million in the first half of 2019 (H1 2018: EUR 1.5 million.), and the net loss for the period was EUR 2.4 million, an improvement compared with the loss of EUR 3.8 million in the first half of 2018. Earnings per share were minus EUR 0.23 in the first half of 2019 compared with minus EUR 0.36 in the prior-year period.

Employees

The headcount increased by 8.2% to an average of 1,853 employees in the first half of 2019 (H1 2018: 1,712 employees).

Assets and capital structure

Total assets increased by 29.0% to EUR 255.5 million compared with EUR 198.0 million at year-end 2018. This was mainly due to the initial application of IFRS 16 (Leases, see consolidated interim financial statements, page 21). The equity ratio was 40.3% (year-end 2018: 43.3%). Shareholders' equity increased from EUR 85.6 million at year-end 2018 to EUR 103.1 million as at 30 June 2019 (+20.3%), mainly due to the cash inflow from the IPO.

The net cash position (time deposits and cash and cash equivalents less liabilities to banks and other financial liabilities) was EUR 64.7 million as at 30 June 2019. That was 16.8% above the level of EUR 55.4 million reported at year-end 2018.

On the asset side, the biggest items within the non-current assets of EUR 66.4 million as at 30 June 2019 (year-end 2018: EUR 28.8 million) were property, plant and equipment, which totalled EUR 45.2 million (year-end 2018: EUR 9.1 million), and intangible assets, which amounted to EUR 8.2 million (year-end 2018: EUR 6.5 million). The increase in property, plant and equipment was almost entirely due to initial application of IFRS 16. The current assets of EUR 189.0 million (year-end 2018: EUR 169.2 million) principally comprise cash and cash equivalents and time deposits totalling EUR 64.2 million (year-end 2018: EUR 55.5 million), trade accounts receivable of EUR 47.7 million (year-end 2018: EUR 44.4 million), and contract assets from contracts with customers amounting to EUR 43.6 million (year-end 2018: EUR 40.9 million).

The biggest item in liabilities and equity is shareholders' equity, which totalled EUR 103.1 million (year-end 2018: EUR 85.6 million). Non-current liabilities amounted to EUR 53.3 million (year-end 2018: EUR 28.1 million). The largest item here was non-current lease liabilities, a new item resulting from IFRS 16, which totalled EUR 30.3 million. Current liabilities were EUR 99.1 million (year-end 2018: EUR 84.2 million). The main items here were contract liabilities from contracts with customers of EUR 47.0 million (year-end 2018: EUR 48.6 million), trade accounts payable of EUR 16.6 million (year-end 2018: EUR 13.8 million), and other current liabilities of EUR 17.5 million (year-end 2018: EUR 8.8 million).

Cash flow

The cash flow from operations improved from minus EUR 5.9 million to plus EUR 1.7 million in the first half of 2019. The was mainly due to the improvement in profit/loss before tax, higher depreciation and amortisation (principally as a result of initial application of IFRS 16) and the change in provisions.

The cash flow from operating activities declined from EUR 2.8 million to minus EUR 6.1 million in the first half of 2019. This was caused, on the one hand, by the change in contract assets, and on the other by the increase in trade accounts receivable and the change in contract liabilities. The cash flow is affected by seasonal fluctuations (see section on business development).

The cash flow from investing activities was minus EUR 9.0 million in the first half of 2019, compared with minus EUR 2.2 million in the prior-year period. While capital expenditures were slightly lower than in the previous year at EUR 2.1 million (H1 2018: EUR 2.6 million), cash outflows in the first half of 2019 included investments in time deposits These relate to funds from the capital increase/IPO.

The cash flow from financing activities improved to EUR 16.7 million in the first half of 2019, mainly due to cash inflows from the IPO (EUR 21.6 million), compared with a cash flow of minus EUR 14.6 million in the prior-year period.

The total cash flow in the reporting period was therefore EUR 1.5 million (H1 2018: minus EUR 13.9 million). Cash and cash equivalents were EUR 47.2 million as at 30 June 2019 (30 June 2018: EUR 63.7 million). It should be noted that as at 30 June 2019, time deposits (short and long-term deposits at banks) totalling EUR 25.0 million were not included in the presentation of cash and cash equivalents.

Business relations with related parties

For information on business relations with related parties, please refer to the explanatory notes to the consolidated interim financial statements.

Segment performance

Air Traffic Management segment

Revenues increased by 6.4% to EUR 92.6 million in the Air Traffic Management segment (H1 2018: EUR 87.0 million). EBIT was minus EUR 5.4 million (H1 2018: minus EUR 4.3 million).

There were several highlights in the operating business. Frequentis equipped two towers at Amsterdam Schiphol airport with smartStrips (electronic flight strips) as part of the modernisation programme of the Dutch air traffic control organisation LVNL, which has now been completed. Digitalisation of the paper strips previously used increases automation and efficiency and improves the workflow of air traffic controllers.

In the UK, Jersey Airport became the first British airport to obtain approval for operational use of a digital remote tower using Frequentis technology.

In the defence domain, where there is a long-term collaboration with armasuisse and the Swiss air force on the "VCS Airbase" project to replace the voice communication systems at seven military airfields, systems were successfully taken into operation at the first two locations.

Strategically significant projects include Frequentis' involvement in the Austrian research project "AIRlabs Austria Innovation Lab" and the successful completion of the first drone demonstrations in the Gulf of Finland (SESAR GOF U-space project), a research project dedicated to safe and environment-friendly operation of drones in air space close to the ground.

Public Safety & Transport segment

In the Public Safety & Transport segment, revenues increased by 8.4% year-on-year to EUR 39.8 million (H1 2018: EUR 36.7 million). EBIT improved from minus EUR 1.5 million in the first half of 2018 to EUR 1.2 million in the first half of 2019.

The following projects are highlighted as examples of the positive trend. In the public safety business domain, the 3020 LifeX multimedia communication platform continued its success story, for example, with the go-live of the system for the Liechtenstein police force. The collaboration with Nødnett on the Norwegian security network is continuing to go well.

The public transport domain is implementing the Unified Railway Communication and Application (URCA) system for the Finnish transport infrastructure authority. Frequentis is supplying a cost-saving and efficient communication solution for this system. This innovative performance is underscored by the presentation of the International Critical Communications Award (ICCA) for the technical process used here, which was also granted a European patent in June 2019.

In the maritime business domain, the delivery of a maritime communication system for South Korea received a key order acceptance.

Opportunity and risk management

For information on opportunities and risks, please refer to page 46f in the annual report for 2018.

Outlook

Global economic and political developments are important for the development of the Frequentis Group and thus of Frequentis AG. Events such as the shutdown in the USA at the start of 2019, the tension between the USA and China, and the discussions about Brexit could influence business performance, since a high proportion of Frequentis' customers are public authorities.

Subject to the development of such events, and assuming a stable macroeconomic trend, Frequentis AG aims to continue its sustained growth in 2019, based on its established product and customer portfolio. In view of the long acquisition cycles, established customers and installed base business are particularly important. All business domains selectively acquire new customers.

The European market is still very important for Frequentis as it can generate further growth here with innovative new products. Here, the company can use its high innovative capability and constantly expanding product portfolio to benefit fully from its strength as a recognised expert in its dealings with established and new customers.

In addition, Frequentis is continuing to raise its presence in markets outside of Europe, especially in the USA, Latin America, Australia and Asia. Here, it is well positioned, for example, with major air traffic control projects in Brazil and the USA.

High priority is also being given to the ongoing successful rollout of major projects such as OneSKY in Australia and the Norwegian public safety network Nødnett. Ongoing optimisation of organisational and process structures, especially in the area of project execution, will make Frequentis even more competitive. Systematic investment in new technologies and ongoing development of existing projects support Frequentis' strong global position as a provider of solutions for safety-critical communication and information systems and pave the way for further growth.

In July, an order worth USD 8.5 million was acquired from the US Navy. Frequentis will be supplying a voice and data communication system to support an unmanned aircraft programme for in-air refuelling of other aircraft. This will be implemented by March 2021. Frequentis has supplied voice communication systems for aircraft and helicopter carriers to this long-standing customer in the past. This confirms our strategy of growing with our established customer base and is evidence that building up competence in the important future area of drone management is already paying off.

One example of this is remote/digital tower technology, where Frequentis has been able to secure several orders from different countries and sectors in 2019, most recently from New Zealand. Following a five-year development period, we have therefore been able to make this technology useable for customers in the few months since the start of marketing last year. The success of the R&D strategy confirms Frequentis' position as a market and innovation leader in an important growth area. The research provider Report Consultant anticipates that the increase in air traffic at tier 1 airports in the coming years will result in a significant rise in demand for remote tower solutions. Its experts predict an average market growth rate for this new tower technology of 36% p.a. between 2019 and 2026.

In the first half of the year, the business trend was in line with the long-term growth rate. The company assumes that there will be a further year-on-year increase in order intake in 2019. Orders on hand at the end of June 2019 already covered more than 80% of 2019 revenues.

Condensed interim financial statements as at 30 June 2019

Consolidated income statement

	Note	01-06/2019 EUR unaudited	01-06/2018 EUR unaudited
Revenues	(3)	**132,398,715.13**	**123,770,466.57**
Change in inventories of finished goods and work in progress		1,488,942.90	1,126,181.26
Own work capitalised		103,860.22	0.00
Other operating income		4,433,120.35	3,799,121.53
Total operating income (total operating performance)		**138,424,638.60**	**128,695,769.36**
Cost of materials and purchased services		-38,393,940.25	-36,021,559.69
Staff expenses		-77,790,175.40	-71,147,329.59
Other operating expenses		-19,863,165.67	-24,045,508.40
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**2,377,357.28**	**-2,518,628.32**
Depreciation and amortisation	(2)	-6,258,222.19	-2,953,574.93
Earnings before interest and taxes (EBIT)		**-3,880,864.91**	**-5,472,203.25**
Financial income		222,195.10	241,612.63
Financial expenses		-409,362.56	-234,463.98
Financial results		**-187,167.46**	**7,148.65**
Earnings of investments accounted for at equity		68,025.16	132,604.41
Profit (+) / loss (-) before tax		**-4,000,007.21**	**-5,332,450.19**
Income taxes	(8)	1,552,075.93	1,501,941.77
Profit (+) / loss (-) for the period		**-2,447,931.28**	**-3,830,508.42**
Profit (+) / loss (-) attributable to:			
Equity holders of the company		**-2,866,863.14**	**-4,271,016.75**
Non-controlling interests		**418,931.86**	**440,508.33**
		-2,447,931.28	**-3,830,508.42**
Basic and diluted earnings per share		**-0.23**	**-0.36**
Average no. of shares		**12,338,122**	**12,000,000**

The comparative figures for 2018 have not been restated due to application of the modified retrospective method for IFRS 16.

Consolidated statement of comprehensive income

	Note	01-06/2019 EUR unaudited	01-06/2018 EUR unaudited
Profit (+) / loss (-) for the period		**-2,447,931.28**	**-3,830,508.42**
Items that may be reclassified to the income statement in the future			
Foreign currency translation differences		111,130.56	61,427.56
Realised gains/losses from foreign currency translation		-17,011.73	0.00
Measurement of cash flow hedges		-326,880.79	-345,268.96
Taxes on items that may be reclassified to the income statement		81,720.20	86,317.24
Items that may not be reclassified to the income statement			
Actuarial gains or losses from post-employment benefits		-978,594.77	-311,815.90
Investments accounted for at equity - amount recognised in other comprehensive income		-1,425.77	0.00
Taxes on items that may not be reclassified to the income statement		244,648.69	77,953.98
Other comprehensive income for the period, net of tax		**-886,413.61**	**-431,386.08**
Total comprehensive income		**-3,334,344.89**	**-4,261,894.50**
Total comprehensive income attributable to:			
Equity holders of the company		**-3,734,834.50**	**-4,702,402.83**
Non-controlling interests		**400,489.61**	**440,508.33**
		-3,334,344.89	**-4,261,894.50**
Basic and diluted earnings per share		**-0.30**	**-0.39**
Average no. of shares		**12,338,122**	**12,000,000**

The comparative figures for 2018 have not been restated due to application of the modified retrospective method for IFRS 16.

Consolidated statement of financial position

ASSETS	Note	30 June 2019 EUR unaudited	31 Dec. 2018 EUR audited
Non-current assets			
Property, plant and equipment	(2) (4)	45,249,959.33	9,131,278.76
Intangible assets	(4)	8,167,713.34	6,499,116.01
Goodwill		2,227,983.84	2,227,983.84
Investments accounted for at equity	(11)	682,736.26	664,617.94
Securities and equity investments	(11)	575,494.61	575,494.61
Other non-current assets	(11)	261,646.00	193,067.04
Time deposits	(11)	7,997,600.00	7,997,600.00
Deferred tax assets		1,242,070.12	1,497,398.70
		66,405,203.50	**28,786,556.90**
Current assets			
Inventories		15,999,230.61	13,114,252.92
Trade accounts receivable	(11)	47,707,308.49	44,365,669.98
Contract assets from contracts with customers	(5)	43,592,421.52	40,850,007.24
Contract costs		1,493,364.44	1,697,451.96
Receivables from affiliated and associated companies	(11)	30,497.73	30,578.19
Other current assets	(11)	11,162,301.61	10,283,219.45
Current income tax receivables		4,845,817.46	3,293,259.51
Time deposits	(11)	16,997,000.00	9,997,000.00
Cash and cash equivalents	(11)	47,219,803.87	45,543,004.15
		189,047,745.73	**169,174,443.40**
Total assets		**255,452,949.23**	**197,961,000.30**

The comparative figures for 2018 have not been restated due to application of the modified retrospective method for IFRS 16.

The effects of applying IFRS 16 have not been audited and may change until the consolidated financial statements for 2019 are published.

LIABILITIES AND EQUITY	Note	30 June 2019 EUR unaudited	31 Dec. 2018 EUR audited
Shareholders' equity			
Share capital	(6)	13,200,000.00	12,000,000.00
Reserves	(6)	16,001,064.30	-2,768,166.88
Retained earnings		73,017,668.39	75,594,681.26
Adjustments for foreign currency translation		-439,406.99	-533,525.82
Equity attributable to equity holders of the parent company		**101,779,325.70**	**84,292,988.56**
Non-controlling interests		1,280,535.56	1,340,632.59
Total shareholders' equity		**103,059,861.26**	**85,633,621.15**
Non-current liabilities			
Liabilities to banks and other financial liabilities	(11)	6,000,000.00	6,500,000.00
Provisions	(7)	15,944,748.39	14,190,906.45
Non-current lease liabilities	(11)	30,262,886.20	0.00
Other non-current liabilities	(9) (11)	470,969.12	3,492,955.76
Deferred tax liabilities	(8)	661,009.00	3,963,876.75
		53,339,612.71	**28,147,738.96**
Current liabilities			
Liabilities to banks and other financial liabilities	(11)	1,500,805.07	1,651,439.74
Contract liabilities from contracts with customers	(5)	47,037,748.81	48,622,277.97
Trade accounts payable	(11)	16,598,388.17	13,775,086.95
Payables to affiliated and associated companies	(11)	350,560.26	226,248.50
Current lease liabilities	(11)	6,787,543.41	0.00
Other current liabilities	(9) (11)	17,461,143.32	8,822,048.46
Current tax liabilities		863,671.82	1,149,840.72
Provisions		8,453,614.40	9,932,697.85
		99,053,475.26	**84,179,640.19**
Total shareholders' equity and liabilities		**255,452,949.23**	**197,961,000.30**

The comparative figures for 2018 have not been restated due to application of the modified retrospective method for IFRS 16.

The effects of applying IFRS 16 have not been audited and may change until the consolidated financial statements for 2019 are published.

Consolidated statement of cash flows

	Note	01-06/2019 EUR unaudited	01-06/2018 EUR unaudited
Profit (+) / loss (-) before tax		-4,000,007	-5,332,450
Net interest income/expense		298,363	-28,571
Foreign currency differences		-82,530	146,179
Profit (+) / loss (-) from the disposal of non-current assets		2,412	3,251
Depreciation of property, plant and equipment and amortisation of intangible assets	(2)	6,258,222	2,953,575
Earnings of investments accounted for at equity		-68,025	-132,604
Change in provisions	(7) (10)	-703,836	-3,469,036
Other non-cash income/expenses		19	9,146
Net cash flow from operations		1,704,618	-5,850,510
Change in inventories		-2,884,978	-3,109,491
Change in trade accounts receivable and receivables from affiliated and associated companies	(10)	-3,341,558	11,515,087
Change in contract assets	(5)	-2,538,327	-8,937,855
Change in other receivables		-93,970	835,913
Change in trade accounts payable and payables to affiliated and associated companies		1,210,131	1,961,942
Change in contract liabilities	(10)	-1,584,529	4,660,006
Change in other liabilities	(9) (10)	4,509,533	3,957,889
Change in net working capital		**-4,723,698**	**10,883,491**
Interest paid		-409,344	-22,637
Interest received		110,981	51,208
Dividends received		48,481	0
Income taxes paid	(8)	-2,870,587	-2,221,417
Net cash flow from operating activities		**-6,139,549**	**2,840,135**
Cash inflows from the sale of intangible assets, property, plant and equipment		65,049	35,706
Cash inflows from the sale of securities and equity investments		0	877,808
Cash outflows for the purchase of intangible assets, property, plant and equipment		-2,085,707	-2,553,260
Investment in securities, equity investments and time deposits		-7,000,000	-569,377
Net cash flow from investing activities		**-9,020,658**	**-2,209,123**
Dividends paid to owners		0	-14,400,000
Dividends paid to non-controlling interests		-539,487	-530,315
Cash inflows from capital increase in connection with the IPO	(6)	21,600,000	0
Cash outflows for transaction costs for the capital increase	(6)	-891,572	0
Cash outflows for incidental costs of the IPO – attributable to owners	(6)	-853,691	0
Cash inflows from non-controlling interests		78,900	0
Cash inflows from loans and other financing		152,480	357,795
Cash outflows for repayment of loans and other financing and for lease liabilities		-2,872,813	0
Net cash flow from financing activities		**16,673,817**	**-14,572,520**
Change in cash and cash equivalents:			
Net cash flow from operating activities		-6,139,549	2,840,135
Net cash flow from investing activities		-9,020,658	-2,209,123
Net cash flow from financing activities		16,673,817	-14,572,520
Net change in cash and cash equivalents		**1,513,610**	**-13,941,508**
Cash and cash equivalents at start of period		**45,543,004**	**77,733,527**
Net change in cash and cash equivalents		1,513,610	-13,941,508
Foreign currency differences		163,207	-83,873
Loss allowance		-19	-146
Cash and cash equivalents at end of period		**47,219,802**	**63,708,000**

The comparative figures for 2018 have not been restated due to application of the modified retrospective method for IFRS 16.

Consolidated statement of changes in shareholders' equity

in EUR (unaudited)	Share capital	Legal and capital reserves	IAS 19 reserve (net of tax)	IAS 39 reserve (net of tax)	Cash flow hedge reserve (net of tax)	Retained earnings	Foreign currency translation	Equity attributable to shareholders of the parent company	Non-controlling interests	Total shareholders' equity
Note	(6)	(6)								
As at 1 January 2019	12,000,000	1,774,003	-4,512,274	0	-29,896	75,594,681	-533,526	84,292,988	1,340,633	85,633,621
Changes in accounting policies (IFRS 16)						289,850		289,850	0	289,850
As at 1 January 2019	12,000,000	1,774,003	-4,512,274	0	-29,896	75,884,531	-533,526	84,582,838	1,340,633	85,923,471
Capital increase	1,200,000	20,400,000						21,600,000		21,600,000
Costs of the capital increase		-891,572						-891,572		-891,572
related income taxes		222,893						222,893		222,893
Cash inflows from non-controlling interests								0	78,900	78,900
Profit (+) / loss (-) for the period						-2,866,863		-2,866,863	418,932	-2,447,931
Other comprehensive income	0	0	-716,930	0	-245,161	0	94,119	-867,972	-18,442	-886,414
Total comprehensive income	0	0	-716,930	0	-245,161	-2,866,863	94,119	-3,734,835	400,490	-3,334,345
Dividends								0	-539,487	-539,487
As at 30 June 2019	**13,200,000**	**21,505,324**	**-5,229,204**	**0**	**-275,057**	**73,017,668**	**-439,407**	**101,779,324**	**1,280,536**	**103,059,860**

in EUR (unaudited)	Share capital	Legal and capital reserves	IAS 19 reserve (net of tax)	IAS 39 reserve (net of tax)	Cash flow hedge reserve (net of tax)	Retained earnings	Foreign currency translation	Equity attributable to shareholders of the parent company	Non-controlling interests	Total shareholders' equity
Note										
As at 1 January 2018	12,000,000	1,774,003	-4,015,195	142,814	0	79,543,711	-604,248	88,841,085	1,254,198	90,095,283
Changes in accounting policies (IFRS 9 and 15)				-142,814	153,748	-773,504		-762,570	0	-762,570
As at 1 January 2018	12,000,000	1,774,003	-4,015,195	0	153,748	78,770,207	-604,248	88,078,515	1,254,198	89,332,713
Profit (+) / loss (-) for the period						-4,271,017		-4,271,017	440,508	-3,830,509
Other comprehensive income	0	0	-233,862	0	-258,952	0	61,428	-431,386	0	-431,386
Total comprehensive income	0	0	-233,862	0	-258,952	-4,271,017	61,428	-4,702,403	440,508	-4,261,895
Dividends						-14,400,000		-14,400,000	-530,315	-14,930,315
Increase (+) / decrease (-) in non-controlling interests						-40,315		-40,315	40,315	0
As at 30 June 2018	**12,000,000**	**1,774,003**	**-4,249,057**	**0**	**-105,204**	**60,058,875**	**-542,820**	**68,935,797**	**1,204,706**	**70,140,503**

Notes to the interim consolidated financial statements

1. General

Frequentis is a company established under Austrian law. Its registered office is located in Innovationsstrasse 1, 1100 Vienna. The company has been listed on the Vienna and Frankfurt stock exchanges since May 2019.

The consolidated interim financial statements of Frequentis AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) and thus 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 or reviewed; they should be read in conjunction with the audited annual consolidated financial statements of the Frequentis Group as at 31 December 2018 and are not necessarily indicative of the year-end results.

No major changes have occurred concerning the relationship between affiliated and associated companies, commitments, and guaranties since 31 December 2018. Please refer to Note 6 "Shareholders' Equity" for information on allocation of the costs of the initial public offering (IPO).

The liquidation of Frequentis Saudi Arabia Ltd. was completed in the first half of 2019 and the company was deconsolidated.

Compared with other sectors of the economy, the industries in which the Frequentis Group operates (information and communication systems for air traffic control (civil and military), public safety, as well as for rail and water transport) are subject to relatively low cyclical fluctuations. Within these sectors, 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 fourth 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 incurred evenly over the year.

The use of automated calculation systems may give rise to rounding differences.

2. Accounting policies

Interim financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" and require estimates and assumptions, which influence the amounts reported in the interim financial statements. The main judgements and sources of estimation uncertainty are the same as in the annual financial statements for the previous year, with the exception of the material new judgements in connection with accounting for leases in accordance with IFRS 16, which are outlined in the section "Changes in Accounting policies". The actual results may differ from these estimates.

New and amended standards and interpretations

The following amendments to existing IAS/IFRS standards and interpretations and newly issued standards and interpretations were applied when preparing the interim financial statements, insofar as they were effective as at 30 June 2019 and had been endorsed by the European Union by 30 June 2019:

- IFRS 16 "Leases"
- IFRIC 23 "Uncertainty over Income Tax Treatments"
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Annual Improvements to IFRS Standards (2015-2017 Cycle)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The above standards and amendments were applied in full in these interim financial statements, insofar as they were applicable. The effects of these changes on the financial statements are outlined in more detail in the following section.

Changes in accounting policies

The Frequentis Group applied IFRS 16 "Leases" for the first time as at 1 January 2019. This standard replaces the previous standard on leases, IAS 17, and the related interpretations. Under IFRS 16, lessees recognise a right to use the underlying asset, corresponding to the present value of the future lease payments plus any direct costs incurred, and a lease liability for future payments in its statement of financial position. For lessors, the provisions of the new standard are similar to the provisions of the previous standard, IAS 17.

For initial application of IFRS 16 as at 1 January 2019 (date of initial application), the Group elected to use the modified retrospective method (without restatement of the comparative data for 2018). All right-of-use assets were recognized at the amount of the lease liability as at the date of initial application after adjustment for any prepaid or accrued lease payments.

The Group elected to apply the recognition exemptions for short-term leases and for leases for which the underlying asset is of low value. Furthermore, the original assessment of existing leases was maintained. In addition, the option to exclude intangible assets from the scope of IFRS 16 and the option to apply the exemption for short-term leases to leases expiring in 2019 were used.

For all leases previously classified as operating leases, where the Frequentis Group is the lessee, the right-of-use asset was measured using the lessee's incremental borrowing rate. This is derived from the risk-free interest rate for the underlying lease term, adjusted for the country, currency and company risk, and is between 0.0% and 2.27% in the euro zone and between 0.0% and 5.5% outside the euro zone.

In accordance with IFRS 16, the lease term is essentially the non-cancellable period of the lease. In addition, options to extend or terminate the lease are taken into account.

Non-lease components of a contract such as electricity, servicing, etc. are excluded from the calculation of the right-of-use asset.

IFRS 16 requires estimates that influence the measurement of both the right-of-use assets and the lease liabilities. These cover the lease term and the incremental borrowing rate applied to discount future payment obligations. The effects of the initial application of IFRS 16 have not been audited and may change until the consolidated annual financial statements for 2019 are published.

The accumulated effect as at the date of initial application, 1 January 2019, is as follows:

	31 December 2018 EUR thousand	Adjustments EUR thousand	1 January 2019 EUR thousand
ASSETS			
Non-current assets			
Property, plant and equipment	**9,131**	39,098	**48,230**
Deferred tax assets	**1,497**	-86	**1,412**
LIABILITIES AND EQUITY			
Shareholders' equity			
Retained earnings	**75,595**	290	**75,885**
Non-current liabilities			
Non-current lease liabilities	**0**	32,606	**32,606**
Other non-current liabilities	**3,493**	-403	**3,090**
Current liabilities			
Current lease liabilities	**0**	6,532	**6,532**
Other current liabilities	**8,822**	-11	**8,811**

As a result of initial application of IFRS 16 as at 1 January 2019, shareholders' equity was increased by an accumulated amount of EUR 354 thousand. This effect results from the reduction in other non-current and current liabilities due to the linearization of lease obligations.

As a result of the increase in assets and liabilities, the equity ratio decreased from 43.3% to 40.3%.

In the income statement, this results in reclassification of lease expense, which was recognised in EBITDA until 2018, to depreciation and interest expense, which is recognised outside of EBITDA. In the first half of 2019, the depreciation of right-of-use assets was EUR 3,453 thousand and the interest expense for leases was EUR 224 thousand.

In the cash flow statement, cash outflows for operating leases were recognised in cash flows from operating activities until 2018. From 2019, these payments are divided into the interest and lease part. The redemption of leases liabilities is recognised in the cash flow from financing activities, while the interest payments are recognised in the cash flow from operating activities.

The right-of-use asset is recognised in the line item in property, plant and equipment where the underlying asset would have been recognised if it had been purchased. The following table shows details of the right-of-use assets recognised on the statement of financial position:

	Right-of-use assets for land and buildings EUR thousand	Right-of-use assets for other plant, factory and office equipment EUR thousand	Total EUR thousand
Cost of acquisition			
As at 1 January 2019	38,296	803	**39,099**
Additions	859	321	**1,180**
Retirements	-54	0	**-54**
Foreign currency translation	51	1	**52**
As at 30 June 2019	**39,152**	**1,125**	**40,277**
Accumulated depreciation			
As at 1 January 2019	0	0	0
Additions	-3,246	-206	**-3,452**
Retirements	4	0	**4**
As at 30 June 2019	**-3,242**	**-206**	**-3,448**
Carrying amount			
As at 30 June 2019	35,910	918	**36,828**

Additions to right-of-use assets include new leases, lease modifications and extensions, and changes in an index.

The right-of-use assets recognised by Frequentis AG as at 1 January 2019 totalled EUR 27,369 thousand.

The reconciliation of the obligations under operating leases as at 31 December 2018 to the lease liabilities on the opening balance sheet as at 1 January 2019 is as follows:

in EUR thousand	
Obligations under operating leases as at 31 December 2018	44,337
Short-term leases	-1,634
Leases for low-value assets	-38
Discounting using the lessee's incremental borrowing rate as at 1 January 2019	-1,532
VAT effect vehicle fleet	-127
Foreign currency translation	57
Reassessment of leases with extension or termination options	-1,925
Lease liabilities from initial application of IFRS 16 as at 1 January 2019	**39,138**
Finance lease liabilities as at 31 December 2018	0
Lease liabilities as at 1 January 2019	**39,138**

In addition to the changes due to IFRS 16, the presentation of non-current contract liabilities from contracts with customers and non-current trade accounts payable was adjusted. These balances are presented as current liabilities in the statement of financial position and any long-term portion is only disclosed in the notes.

Notes to the consolidated income statement and statement of financial position

3. Revenues

The revenue split between the segments is as follows (for a description of the segments, please refer to the section on segment reporting):

	01-06/2019 EUR thousand	01-06/2018 EUR thousand
Air Traffic Management	92,561	86,961
Public Safety & Transport	39,792	36,718
Other	46	91
	132,399	**123,770**

Orders on hand as at 30 June 2019 totalled EUR 351,806 thousand (30 June 2018: EUR 355,163 thousand). The Air Traffic Management (ATM) segment accounted for EUR 197,135 thousand (30 June 2018: EUR 228,643 thousand) of this amount and the Public Safety & Transport (PST) segment for EUR 154,671 thousand (30 June 2018: EUR 126,519 thousand).

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

	01-06/2019 EUR thousand	01-06/2018 EUR thousand
New products and/or new customer business	68,680	63,108
IBB (installed base business)	60,111	57,714
Other revenues	3,608	2,948
	132,399	**123,770**

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

	01-06/2019 EUR thousand	01-06/2018 EUR thousand
Europe	76,779	74,825
Americas	25,931	21,834
Asia	19,164	14,851
Australia/Pacific	7,423	8,783
Africa	2,151	2,688
Small orders (not allocated)	951	789
	132,399	**123,770**

Under IFRS 8.34, there is an obligation to disclose information about major customers. These are customers which account for 10% or more of the Group's total external revenues. There were no customers that exceeded this threshold, either in the reporting period or in the previous year.

4. Non-current assets

The recognition of right-of-use assets due to the initial application of IFRS 16, in particular, resulted in an increase in property, plant and equipment and depreciation.

In the first half of 2019, new Microsoft licenses were purchased at a cost of EUR 2,635 thousand.

As at 30 June 2019, commitments to purchase property, plant and equipment amounted to EUR 110 thousand.

5. Total contract assets and liabilities from contracts with customers

	30 June 2019 EUR thousand	31 Dec. 2018 EUR thousand
Contract liabilities from contracts with customers	61,607	54,169
Advances from customers	-18,014	-13,319
	43,593	**40,850**

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 is mainly due to a rise in work in progress for a major Australian project and two Asian projects, for which the customers can only be invoiced in subsequent periods.

EUR 29,097 thousand of the contract assets totalling EUR 54,169 thousand recognised as at 31 December 2018 were invoiced to customers in the first half of 2019.

The contract liabilities mainly result from advances received from customers for individual projects and maintenance contracts where revenues are recognised over time.

The contract liabilities comprise:

	30 June 2019 EUR thousand	31 Dec. 2018 EUR thousand
Advances for customer projects	44,877	39,695
Advances offset against contract assets from contracts with customers	-18,014	-13,052
Accruals for maintenance contracts	7,428	5,695
Liabilities for outstanding performance obligations for customer orders after final invoicing (current)	5,016	5,354
Liabilities for outstanding performance obligations for customer orders after final invoicing (non-current)	732	1,072
Other contract liabilities	6,999	9,858
	47,038	**48,622**

6. Shareholders' equity

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 company's share capital 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).

Following the initial public offering (IPO), 2.9 million shares were admitted to trading on the Vienna and Frankfurt stock exchanges on 13 May 2019. 1.2 million of these are newly issued shares, while 1.7 million are shares previously held by Mr. Johannes Bardach and sold by him. In addition to the total of 13,199,999 bearer shares, there is still one registered share with restricted transferability.

Following the IPO, Johannes Bardach has a shareholding of around 68% (around 8% held directly and 60% held indirectly via Frequentis Group Holding GmbH), B&C Innovation Investments GmbH has a 10% shareholding, and the free float is 22%.

The issue price of the shares was EUR 18.00. Since they are no-par shares, an arithmetical amount of EUR 1,200 thousand of the total proceeds of EUR 21,600 thousand received by Frequentis AG was allocated to the share capital, and the remaining amount of EUR 20,400 thousand was allocated to the capital reserves.

The total cost of the IPO was EUR 2,313 thousand, of which EUR 892 thousand was allocated directly to shareholders' equity after deduction of the related income taxes of EUR 223 thousand. These are the costs relating to the new shares from the capital increase. Costs of EUR 854 thousand were charged to Mr. Johannes Bardach as they related to the sale of the existing shares. The receivable recognised for this as at 30 June 2019, which is included in the interim financial statements in other receivables, was settled in full in July 2019.

The change in shareholders' equity can be seen from the consolidated statement of changes in shareholders' equity.

7. Non-current provisions

	30 June 2019 EUR thousand	31 Dec. 2018 EUR thousand
Provisions for severance payments	14,005	12,869
Provisions for pensions	2,886	2,646
Offsetting of pension insurance policy reserves	-2,457	-2,434
	429	**212**
Provisions for anniversary bonuses	327	301
Other provisions	1,184	808
Total non-current provisions	**15,945**	**14,190**

The increase in personnel-related provisions is attributable to service cost and interest cost for the period and to the reduction in the discount rate from 2.0% to 1.5%. The resulting remeasurement effect totalling EUR 979 thousand is recognised in other comprehensive income.

The other provisions contain EUR 1,090 thousand for projects for which the expected future expenses exceed expected future revenue.

8. 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 or loss for the first half of the year. The estimated effective tax rate may differ from the effective tax rate at the end of the year. Due to the reduction in permanent differences compared with 31 December 2018, the effective income tax rate increased from 25.6% to 38.8%.

The reduction in deferred tax liabilities is attributable to the tax loss as at 30 June 2019.

9. Other liabilities

The other liabilities contain loans in connection with grants and subsidies for research amounting to EUR 2,260 thousand. They have been reclassified from non-current to current due to their maturity.

The other current liabilities comprise:

	30 June 2019 EUR thousand	31 Dec. 2018 EUR thousand
Accruals for holidays not yet taken	5,123	3,370
Negative fair values of cash flow hedges and MTM valuation	1,036	1,009
Advances received in connection with grants and subsidies	128	572
Accruals for consultancy costs	229	458
Accruals for overtime	296	328
Loans in connection with grants and subsidies for research	2,620	0
Sundry other liabilities	8,029	3,085
Total, current	**17,461**	**8,822**

The sundry other liabilities comprise liabilities of EUR 2,454 thousand to local fiscal authorities in connection with value-added tax and wage tax, and liabilities of EUR 3,795 thousand to local social insurance companies. The increase in sundry other liabilities is mainly due to the increase in these items, because most of these liabilities had been settled as at 31 December 2018.

Segment report

Operating segments

- Air Traffic Management segment
- Public Safety & Transport segment

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

The 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). Frequentis' PST segment delivers emergency management solutions for police, ambulance and fire service organisations, search and rescue, coastal surveillance, operations communications, and incident and crisis management.

Segment data

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 virtually no inter-segment revenues.

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 operating income (total operating performance)	**95,468**	**41,021**	**1,935**	**138,424**
EBIT	**-5,365**	**1,152**	**332**	**-3,881**

01-06/2018	Air Traffic Management EUR thousand	Public Safety & Transport EUR thousand	Reconciliation/ consolidation EUR thousand	Total EUR thousand
Revenues	86,961	36,718	92	**123,771**
Change in inventories of finished goods and work in progress	743	383	0	**1,126**
Own work capitalised	0	0	0	**0**
Other operating income	2,194	629	976	**3,799**
Total operating income (total operating performance)	**89,898**	**37,730**	**1,068**	**128,696**
EBIT	**-4,288**	**-1,451**	**267**	**-5,472**

The other operating income in the column reconciliation/consolidation mainly comprises currency differences.

No data on segment assets and segment liabilities are presented because internal reporting does not differentiate between the two segments and they are not reported to the Executive Board as the company's chief operating decision maker.

Other information

10. Consolidated cash flow statement

In the consolidated cash flow statement, cash inflows and outflows for operating, investing, and financing activities are reported separately.

The change in the net cash flow from operating activities is derived from the profit/loss before tax, after adjustment for non-cash expenses (primarily depreciation and amortisation), non-cash income and the change in net working capital. The biggest change in net working capital results from the change in contract liabilities, which are comprised as follows:

	01-06/2019 EUR thousand	01-06/2018 EUR thousand
Change in advances for customer projects	108	11,939
Change in unpaid receivables for advances	2,215	2,208
Change in advances offset against contract assets from contracts with customers	-4,963	-2,154
Change in accruals for maintenance contracts	1,733	5,194
Change in liabilities for outstanding performance obligations for customer orders after final invoicing	-678	5,770
Change in contract liabilities	**-1,585**	**22,957**

The effect of initial application of IFRS 15 in 2018 and the resulting reclassifications between line items are outlined below for the figures presented for 2018:

	01-06/2019 EUR thousand	01-06/2018 before IFRS 15 EUR thousand	Adjustment for IFRS 15 EUR thousand	01-06/2018 after IFRS 15 EUR thousand
Change in provisions	-704	-9,268	5,799	-3,469
Change in trade accounts receivable and receivables to affiliated and associated companies	-3,342	1,656	9,859	11,515
Change in contract liabilities	-1,585	22,956	-18,296	4,660
Change in other liabilities	4,510	1,320	2,638	3,958

11. Financial instruments

Trade accounts receivable, receivables from affiliated and associated companies, other receivables, cash and cash equivalents, time deposits, trade accounts payable, payables due to affiliated and associated companies, and other liabilities are measured at their carrying amount. Since they generally have short remaining terms, this is an appropriate approximation of their fair value. For the equity investments, there are no quoted prices on an active market. Therefore, they are measured using valuation parameters that are unobservable on the market.

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).

	Measured at fair value			Measured at amortised cost		Total carrying amount
30 June 2019	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 investments			575			575
Time deposits				24,995		24,995
Trade accounts receivable				47,707		47,707
Receivables from affiliated and associated companies				30		30
Financial derivatives	77	186				263
Other current and non-current assets				4,009		4,009
Cash and cash equivalents				47,220		47,220
Total financial assets	**77**	**186**	**575**	**123,961**		**124,799**
Financial liabilities						
Liabilities to banks and other financial liabilities					7,501	7,501
Trade accounts payable					16,598	16,598
Payables due to affiliated and associated companies					351	351
Financial derivatives	951	84				1,035
Other liabilities					3,354	3,354
Total financial liabilities	**951**	**84**			**27,804**	**28,839**

	Measured at fair value			Measured at amortised cost		Total carrying amount
31 December 2018	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 investments			575			575
Time deposits				17,995		17,995
Trade accounts receivable				44,366		44,366
Receivables from affiliated and associated companies				31		31
Financial derivatives	173					173
Other current and non-current assets				1,540		1,540
Cash and cash equivalents				45,543		45,543
Total financial assets	**173**	**0**	**575**	**109,475**		**110,223**
Financial liabilities						
Liabilities to banks and other financial liabilities					8,151	8,151
Trade accounts payable					13,775	13,775
Payables to affiliated and associated companies					226	226
Financial derivatives	844	165				1,009
Other liabilities					2,838	2,838
Total financial liabilities	**844**	**165**			**24,990**	**25,999**

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

Level	Financial instruments at fair value
Level 1: Measurement based on quoted prices of identical assets	Securities
Level 2: Measurement based on quoted prices (inputs) for similar assets that are directly or indirectly observable on the market	Financial derivatives
Level 3: Measurement based on models with significant inputs that are unobservable on the market	Equity investments

There is no indication of a significant difference between the present fair value of the 5.6% interest acquired in the start-up company Altitude Angel Ltd. in 2018 and the purchase price paid. In view of a transaction between these companies that is planned for the second half of 2019, the Group is waiting for the underlying valuation of the company at the time of the transaction the interest will be remeasured accordingly in the annual financial statements for 2019.

Financial derivatives

The carrying amount of the financial derivatives corresponds to their fair value as at 30 June 2019.

The next table shows the development of financial derivatives:

30 June 2019	Derivative		Cash flow hedge		For MTM valuation		Total
Put currency	Put amount in thousands	Call amount EUR thousand	Foreign currency amount in thousands	Fair value EUR thousand	Foreign currency amount In thousands	Fair value EUR thousand	Fair value EUR thousand
AUD	-5,485	3,400	-3,197	32	-2,288	19	52
CAD	-173	115	-173	0	0.00	0	0
GBP	-6,347	7,079	-6,557	31	210	10	41
USD	-10,863	9,597	-674	13	-10,189	156	169
		20,191		**76**		**185**	**263**
CHF	-247	220	-29	-0	-219	-3	-4
GBP	-2,573	2,791	-2,757	-52	183	-10	-62
PLN	-12,398	2,753	-12,398	-136	0.00	0	-136
USD	-19,450	16,041	-12,814	-763	-6,635	-72	-834
		21,805		**-951**		**-85**	**-1,036**

31 Dec. 2018	Derivative		Cash flow hedge		For MTM valuation		Total
Put currency	Put amount in thousands	Call amount EUR thousand	Foreign currency amount in thousands	Fair value EUR thousand	Foreign currency amount in thousands	Fair value EUR thousand	Fair value EUR thousand
AUD	-2,880	1,783	-2,880	50	0	0	50
CAD	-297	195	-297	8	0	0	8
GBP	-7,983	8,880	-7,983	78	0	0	78
USD	-2,300	1,987	-2,300	37	0	0	37
		12,845		173		0	173
CHF	-503	445	-361	-3	-142	-2	-4
GBP	-2,730	2,974	-1,474	-36	-1,256	-16	-52
PLN	-12,398	2,753	-12,398	-70	0	0	-70
SGD	-1,747	1,092	-1,747	-6	0	0	-6
USD	-17,918	14,316	-16,553	-730	-1,365	-147	-877
		21,580		-845		-165	-1,009

For the carrying amount of the cash flow hedge and the carrying amount of the derivatives that are not designated in a hedging relationship (mark-to-market (MTM) valuation), a positive fair value of EUR 263 thousand was recognised in other receivables as at 30 June 2019 (31 December 2018: EUR 173 thousand), while a negative fair value of EUR 1,036 thousand (31 December 2018: EUR 1,009 thousand) was recognised in other liabilities.

12. Information on business relations with related parties

Transactions with associated and non-consolidated companies are not significant and mainly comprise business relations in the form of deliveries and services. These transactions are undertaken exclusively on an arm's length basis.

The expenses assumed in connection with the initial public offering of Frequentis AG have been allocated between Frequentis AG and Mr. Johannes Bardach. The resulting receivable of EUR 854 thousand from Mr. Bardach was settled in full in July 2019.

Apart from this transaction, there were no material changes in the business relations with related parties compared with the annual report for 2018 that had a significant impact on the Group's net assets, financial position and results of operations.

13. Significant events after the reporting date

There were no events after the reporting date that would have impacted the interim financial statement as at 30 June 2019.

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

We hereby confirm that, to the best of our knowledge, the condensed interim financial statements as at 30 June 2019, 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 2019, 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, 27 August 2019

The Executive Board

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Chairman of the Executive Board

Sylvia Bardach
Member of the Executive Board

Hermann Mattanovich
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Financial calendar 2019

28.08.2019	Half-year financial report 2019
10.09.2019	Record date for General Meeting
20.09.2019	Extraordinary -General Meeting, Vienna
15.10.2019	Last day on which shares can be bought with dividend entitlement
16.10.2019	Ex-dividend day
17.10.2019	Record date for dividend
18.10.2019	Dividend payment

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The terms “Frequentis” or “Frequentis Group” in this publication refer to the group; “Frequentis AG” is used to refer to the parent company (individual company).

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

The forecasts, plans and forward-looking statements contained in this publication are based on the knowledge and information available and the assessments made at the time that this publication was prepared (editorial deadline: 27 August 2019). As is true of all forward-looking statements, these statements are subject to risk and uncertainties. As a result, actual events may deviate significantly from these expectations. No liability whatsoever is assumed for the accuracy of projections or for the achievement of planned targets or for any other forward-looking statements.

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