

Ad-hoc-release according to article 17 of the market abuse regulation

ADVA Optical Networking expects profit reduction due to delivery shortages caused by COVID-19 and changes guidance periods

Munich, Germany. February 18, 2020. The management board of ADVA Optical Networking SE (FSE: ADV) decided after a consultation with the supervisory board today to change the revenue and profitability guidance from quarterly to annual periods.

The majority of comparable companies in the German and European stock indices only provide annual guidance. Additionally, various investors and analysts have provided feedback to ADVA that their analysis and valuations are based on annual model calculations and that quarterly guidance is of minor importance.

The effects of global trade tensions or the current situation in China due to COVID-19 (also referred to as the coronavirus) make evident that quarterly guidance is subject to high fluctuations due to temporary uncertainties or external factors, particularly in ADVA's industry.

Based on the current situation in China, the management board expects shortages in ADVA's supply chain. The management board believes that these will most likely lead to a negative pro forma operating income margin for Q1 2020. Whether and to what extent the situation in China will continue to deteriorate or improve cannot yet be reliably predicted. The management board assumes, however, that only some revenue will shift to the following quarters and that the decline in the pro forma operating income margin will recover on an annualized basis.

FY 2020 revenue outlook

The management board expects revenues to increase on an annual basis and exceed EUR 580 million for the full year 2020.

FY 2020 pro forma operating income outlook

The management board also expects the pro forma operating income to increase further and exceed 5% of revenues in 2020. Pro forma operating income is calculated prior to non-cash charges related to the stock compensation programs and amortization and impairment of goodwill and acquisition-related intangible assets. Additionally, non-recurring expenses related to restructuring measures are not included.

Q4 and FY 2019 financial results

Revenues for Q4 2019 increased by 4.7% to EUR 151.1 million from EUR 144.3 million in Q3 2019 and grew significantly by 14.9% from EUR 131.5 million in the same year-ago period. Revenues for Q4 2019 were at the upper end of the guidance corridor the company provided on October 24, 2019, of between EUR 142 million and EUR 152 million. Pro forma operating income for Q4 2019 was EUR 10.3 million (6.8% of revenues), up from EUR 7.4 million (5.1% of revenues) in Q3 2019 and above EUR 8.1 million (6.2% of revenues) in the same year-ago period. Pro forma operating income for Q4 2019 was also at the upper end of the company's guidance range of between 5% and 7% of revenues.

For the full year 2019, revenues increased by 10.9% to EUR 556.8 million from EUR 502.0 million in 2018. Pro forma operating income for 2019 was EUR 24.8 million (4.5% of revenues), compared to EUR 23.3 million (4.6% of revenues) in 2018.

About ADVA

ADVA is a company founded on innovation and focused on helping our customers succeed. Our technology forms the building blocks of a shared digital future and empowers networks across the globe. We're continually developing breakthrough hardware and software that leads the networking industry and creates new business opportunities. It's these open connectivity solutions that enable our customers to deliver the cloud and mobile services that are vital to today's society and for imagining new tomorrows. Together, we're building a truly connected and sustainable future. For more information on how we can help you, please visit us at www.adva.com.

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