

ADVA Optical Networking Posts Q3 Revenues of EUR 111.2 Million

- ***Q3 2017 Revenues of EUR 111.2 Million, down 22.9% from Q2 2017***
- ***Q3 2017 Pro Forma Operating Income: EUR -0.8 Million (-0.7% of Revenues)***
- ***Q4 2017 Outlook: Revenues EUR 115-130 Million; Pro Forma Operating Income 0%-5% of Revenues***

Munich, Germany. October 26, 2017. ADVA Optical Networking (ISIN: DE0005103006, WKN 510300) announced financial results for its 2017 third quarter ended on September 30, 2017. The results have been prepared in accordance with International Financial Reporting Standards (IFRS). These results include contributions from the newly acquired MRV Group.

Q3 2017 IFRS Financial Results

Quarterly revenues decreased to EUR 111.2 million from EUR 144.2 in Q2 2017. This marks a decrease of 30.3% year-on-year (YoY) (Q3 2016: EUR 159.5 million) and is within the adjusted guidance announced on August 28, 2017.

Pro forma operating income in Q3 2017 stood at EUR -0.8 million or -0.7% of revenues, down from EUR 9.2 million or 6.4% of revenues in Q2 2017. This number is also within the adjusted guidance. The integration of MRV and the related restructuring measures, as well as the consolidation of the product portfolios, resulted in one-time restructuring costs of EUR 8.4 million. These costs are not included in the pro forma operating income. The operating loss amounted to EUR 11.5 million (Q3 2016: operating income of EUR 7.2 million). Cash and cash equivalents totaled EUR 57.2 million. Net liquidity decreased to EUR -44.1 million and net working capital amounted to EUR 136.2 million.

"Q3, 2017 was one of the most challenging quarters in our company's history," commented Brian Protiva, CEO, ADVA Optical Networking. "We had to lower our guidance within a financial quarterly period for the first time since Q2, 2008. Nevertheless, the integration of MRV Communications is progressing very well. We have implemented much of the planned restructuring measures, updated our roadmaps and aligned our product portfolios, development teams and sales focus. All this provides us with a solid basis for a return to growth and profitability in 2018."

Additional Key Data*

(Million EUR)	Q3 2017	Q3 2016	Change	Q2 2017	Change
Revenues	111.2	159.5	-48.3	144.2	-33.0
Pro forma gross profit	39.1	42.8	-3.7	46.7	-7.6
in % of revenues	35.2%	26.9%	8.3pp	32.4%	2.8pp
Pro forma operating income	-0.8	8.3	-9.1	9.2	-10.0
in % of revenues	-0.7%	5.2%	-5.9pp	6.4%	-7.1pp
Operating income	-11.5	7.2	-18.7	8.1	-19.6
Net income	-14.0	3.3	-17.3	4.5	-18.5

(Million EUR)	Sept. 30, 2017	Sept. 30, 2016	Change	June 30, 2017	Change
Cash and cash equivalents	57.2	81.2	-24.0	80.8	-23.6
Net liquidity	-44.1	20.3	-64.4	30.8	-74.9

*Potential differences due to rounding

"The drop in revenues from two major customers during the acquisition process of MRV was a hard hit," commented Uli Dopfer, CFO, ADVA Optical Networking. "However, we responded immediately and adjusted our cost structure to the current sales level without jeopardizing any activities that are important for our future. By adding Scott St. John to our Management Board, we further strengthen our sales expertise and are convinced that our strategy, our innovation and our focus on interesting customers and growth markets are a solid basis for delivering long-term, sustainable growth."

Q4 2017 Outlook

In Q4 2017, ADVA Optical Networking expects revenues to range between EUR 115 million and EUR 130 million and anticipates a pro forma operating income of between 0% and 5% of revenues. ADVA Optical Networking performs quarterly reviews of the expected business development with respect to all intangible assets, including capitalized development expenses. In case of adverse business prospects, these reviews may result in non-cash impairment charges in Q4 2017 and beyond, which are excluded from the above guidance. The company will publish its Q4 2017 financial results on February 22, 2018.

Conference Call Details

In conjunction with the release of its Q3 2017 financial results on October 26, 2017, ADVA Optical Networking will host a conference call for analysts and investors at 3:00 p.m. CEST / 9:00 a.m. EDT. Participating in the call will be ADVA Optical Networking's CEO, Brian Protiva, and CFO, Ulrich Dopfer. Interested parties may dial in at +49 69 22 22 29 043 or +1 855 402 77 66, pin code 387 00 579#. A corresponding presentation is available on ADVA Optical Networking's website: www.advaoptical.com/en/about-us/investor-relations/financial-results/conference-calls.aspx.

The complete 2017 Nine-Month Report (January–September) is available as a PDF on our website: www.advaoptical.com/en/about-us/investor-relations/financial-results/financial-statements.aspx.

Forward-Looking Statements

The economic projections and forward-looking statements contained in this document relate to future facts. Such projections and forward-looking statements are subject to risks which cannot be foreseen and which are beyond the control of ADVA Optical Networking. ADVA Optical Networking is therefore not in a position to make any representation as to the accuracy of economic projections and forward-looking statements or their impact on the financial situation of ADVA Optical Networking or the market in the shares of ADVA Optical Networking.

Use of Pro Forma Financial Information

ADVA Optical Networking provides consolidated pro forma financial results in this press release solely as supplemental financial information to help investors and the financial community make meaningful comparisons of ADVA Optical Networking's operating results from one financial period to another. ADVA Optical Networking believes that these pro forma consolidated financial results are helpful because they exclude non-cash charges related to the stock option programs and amortization and impairment of goodwill and acquisition-related intangible assets, which are not reflective of the Company's operating results for the period presented. Additionally, from Q3 2017 onwards non-recurring expenses related to restructuring measures are not included. This pro forma information is not prepared in accordance with IFRS and should not be considered a substitute for historical information presented in accordance with IFRS.

About ADVA Optical Networking

ADVA Optical Networking is a company founded on innovation and driven to help our customers succeed. For over two decades, our technology has empowered 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.advaoptical.com.

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