

ADVA posts quarterly revenues of EUR 120.5 million for Q1 2018

- Quarterly revenues up sequentially to EUR 120.5 million
- Pro forma operating income of EUR 2.2 million (1.9% of revenues)
- Q2 2018 outlook: revenues EUR 120 - 135 million; Pro forma operating income 1% - 6% of revenues

Munich, Germany. April 26, 2018. ADVA Optical Networking (ISIN: DE0005103006, WKN 510300), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported financial results for Q1 2018 ended on March 31, 2018. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Q1 2018 financial summary and other operational metrics*

(in thousands of EUR)	Q1 2018	Q1 2017	Change	Q4 2017	Change
Revenues	120,538	141,835	-15.0%	117,238	2.8%
Pro forma gross profit	44,263	46,123	-4.0%	42,465	4.2%
in % of revenues	36.7%	32.5%	4.2pp	36.2%	0.5pp
Pro forma operating income	2,239	6,641	-66.3%	4,496	-50.2%
in % of revenues	1.9%	4.7%	-2.8pp	3.8%	-1.9pp
Operating income	-424	5,501	-107.7%	2,294	-118.5%
Net income	-2,440	6,185	-139.5%	-948	n/a

(in thousands of EUR)	Mar. 31 2018	Mar. 31 2017	Change	Dec. 31 2017	Change
Cash and cash equivalents	57,695	69,709	-17.2%	58,376	-1.2%
Net liquidity	-44,180	15,029	-394.0%	-38,185	n/a

*Potential differences due to rounding

Q1 2018 IFRS financial results

Revenues for Q1 2018 increased sequentially by 2.8% to EUR 120.5 million from EUR 117.2 million in Q4 2017 and decreased by 15.0% from EUR 141.8 million in the same year-ago period. Revenues for Q1 2018 were within the guidance forecast the company provided on February 22, 2018 of between EUR 115 million and EUR 130 million.

Pro forma operating income for Q1 2018 was EUR 2.2 million (1.9% of revenues), compared to EUR 4.5 million (3.8% of revenues) in Q4 2017 and EUR 6.6 million (4.7% of revenues) in the same year-ago period. Therefore pro forma operating income for Q1 2018 was above mid-point of the company's guidance of between -1% and 4%.

Operating income for Q1 2018 was negative at EUR 0.4 million, compared to an operating gain of EUR 2.3 million reported for Q4 2017, and down from EUR 5.5 million in the same year-ago period.

Net loss for Q1 2018 was EUR 2.4 million compared with a net income of EUR 6.2 million in the same year-ago period.

At quarter-end, the company's cash and cash equivalents slightly decreased by 1.2% to EUR 57.7 million compared to EUR 58.4 million in Q4 2017.

The company's net liquidity decreased by EUR 6.0 million to EUR -44.2 million from EUR -38.2 million at the end of the prior quarter.

Net working capital at quarter-end was EUR 122.5 million compared to EUR 123.8 million at the end of Q4 2017.

"After our positive turnaround in Q4 2017 and a profitable start to the new fiscal year, ADVA is back on track for growth and profitability," said Ulrich Dopfer, CFO, ADVA. "During the first quarter, we successfully completed the integration of MRV, which expanded our product suite and customer base, providing us with meaningful cross-selling opportunities that we are executing on. While the market environment remains competitive, we are pursuing our strategic goals with discipline and focus, and are confident we can deliver increasing value to our customers and shareholders."

"Our strategic investments over the past three years are paying off and delivering increasingly positive results as demonstrated by our financial performance in the first quarter," commented Brian Protiva, CEO, ADVA. "The combination of our three technology pillars – optical transmission, cloud access and synchronization – assures stability in our business and creates new growth opportunities. Network operators, large enterprises and internet content providers are increasingly turning to programmable, open, optical networks to provide greater capacity, more flexibility and automation. In addition, ADVA's technology leadership in network synchronization gives us a strategic presence with major network operators, especially in view of the upcoming introduction of 5G mobile technology, while also opening doors into other market segments. Today, we have more customers, better revenue diversification, and a broader, more expansive portfolio of solutions than ever before, ideally positioning us in 2018 and the years ahead."

Q2 2018 financial outlook

For Q2 2018, ADVA expects revenues to be in the range of EUR 120 million and EUR 135 million and a pro forma operating income of between 1% and 6% of revenues.

ADVA performs quarterly reviews of 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 Q2 2018 and beyond, which are excluded from the above guidance.

The company will publish its financial results for Q2 2018 on July 19, 2018.

Conference call details

ADVA will hold a conference call for analysts and investors today (April 26, 2018) to discuss these results and management's outlook. The company's CEO, Brian Protiva, and CFO, Ulrich Dopfer, will host the call at 3:00 p.m. CEST (9:00 a.m. EST). A question and answer session will follow management presentations.

To participate, please dial the appropriate number at least five minutes prior to the start time, and ask for the ADVA conference call.

International number: +49 69 201 744 210

US number: +1 877 423 08 30

Pin Code: 617 618 67#

A corresponding presentation and a replay of the call is available on ADVA's website:

<https://www.advaoptical.com/en/about-us/investors/financial-results/conference-calls>

The Three-Month Report 2018 (January – March) is available as a PDF here:

<https://www.advaoptical.com/en/about-us/investors/financial-results/financial-statements>

The complete 2017 Annual Report (January – December) is available as a PDF here:

<https://www.advaoptical.com/en/about-us/investors/financial-results/financial-statements>

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 that cannot be foreseen and that are beyond the control of ADVA. ADVA 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 or the market in the shares of ADVA.

Use of pro forma financial information

ADVA 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's operating results from one financial period to another. ADVA 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

Published by:

ADVA Optical Networking SE, Munich, Germany

www.advaoptical.com

For press:

Gareth Spence

t +44 1904 699 358

[public-relations\(at\)advaoptical.com](mailto:public-relations(at)advaoptical.com)

For investors:

Stephan Rettenberger

t +49 89 890 665 854

[investor-relations\(at\)advaoptical.com](mailto:investor-relations(at)advaoptical.com)