

ADVA posts quarterly revenues of EUR 123.8 million for Q2 2018

- Quarterly revenues up sequentially to EUR 123.8 million
- Pro forma operating income of EUR 6.1 million (5.0% of revenues)
- Q3 2018 outlook: revenues EUR 123 - 133 million; Pro forma operating income 2% - 6% of revenues

Munich, Germany. July 19, 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 Q2 2018 ended on June 30, 2018. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Q2 2018 financial summary and other operational metrics*

(in thousands of EUR)	Q2 2018	Q2 2017	Change	Q1 2018	Change
Revenues	123,752	144,225	-14.2%	120,538	2.7%
Pro forma gross profit	45,389	46,682	-2.8%	44,263	2.5%
in % of revenues	36.7%	32.4%	4.3pp	36.7%	0.0pp
Pro forma operating income	6,145	9,191	-33.1%	2,239	174.5%
in % of revenues	5.0%	6.4%	-1.4pp	1.9%	3.1pp
Operating income	4,087	8,092	-49.5%	-424	n/a
Net income	4,577	4,524	1.2%	-2,440	n/a

(in thousands of EUR)	June 30 2018	June 30 2017	Change	March 31 2018	Change
Cash and cash equivalents	59,656	80,774	-26.1%	57,695	3.4%
Net liquidity	-36,594	30,779	-218.9%	-44,180	n/a

*Potential differences due to rounding

Q2 2018 IFRS financial results

Revenues for Q2 2018 increased sequentially by 2.7% to EUR 123.8 million from EUR 120.5 million in Q1 2018 and decreased by 14.2% from EUR 144.2 million in the same year-ago period. Revenues for Q2 2018 were within the guidance forecast the company provided on April 26, 2018 of between EUR 120 million and EUR 135 million.

Pro forma operating income for Q2 2018 was EUR 6.1 million (5.0% of revenues), compared to EUR 2.2 million (1.9% of revenues) in Q1 2018 and EUR 9.2 million (6.4% of revenues) in the same year-ago period. Therefore, pro forma operating income for Q2 2018 was at the upper end of the company's guidance of between 1% and 6%.

Operating income for Q2 2018 increased to EUR 4.1 million, compared to an operating loss of EUR 0.4 million reported for Q1 2018, and down from EUR 8.1 million in the same year-ago period.

Net profit for Q2 2018 was EUR 4.6 million compared with EUR 4.5 million in the same year-ago period.

At quarter-end, the company's cash and cash equivalents increased by 3.4% to EUR 59.7 million compared to EUR 57.7 million in Q1 2018.

The company's net liquidity increased by EUR 7.6 million to negative EUR 36.6 million from negative EUR 44.2 million at the end of the prior quarter.

Net working capital at quarter-end was EUR 121.8 million compared to EUR 122.5 million at the end of Q1 2018.

"Q2 2018 marked the third consecutive quarter of sequential revenue growth along with increasing profitability," said Ulrich Dopfer, CFO, ADVA. "Although the market for optical transmission technology remains highly competitive, our broad and growing customer base and diversification into different network applications provide us with a stable business foundation. Our acquisition of MRV, which we completed in August 2017 and have now fully integrated into our business, has delivered the anticipated revenue contributions and synergies. Coupling this with our continued financial discipline and strategic focus, we believe ADVA is on track towards increasing profitability and sustainable growth."

"Our Q2 2018 financial results underscore yet again the positive effects of our strategic investments over the past three years," commented Brian Protiva, CEO, ADVA. "Our open, programmable, optical transmission technology offers significant value in terms of capacity, flexibility and automation to network operators, large enterprises, and internet content providers. Our technological advantage in cloud access solutions and network synchronization is growing, and we are developing a strategic presence with Tier 1 network operators. Both technology pillars are delivering increasing revenue contributions and opening doors to new customers. Altogether, we expect continued positive business development in the second half of the year."

Q3 2018 financial outlook

For Q3 2018, ADVA expects revenues to be in the range of EUR 123 million and EUR 133 million and a pro forma operating income of between 2% 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 Q3 2018 and beyond, which are excluded from the above guidance.

The company will publish its financial results for Q3 2018 on October 25, 2018.

Conference call details

ADVA will hold a conference call for analysts and investors on July 19, 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: 347 178 27#

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 Six-Month Report 2018 (January – June) 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, 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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