

ADVA posts annual revenues of EUR 502 million for 2018

- Annual revenues down 2.4% to EUR 502.0 million
- Pro forma operating income of EUR 23.3 million (4.6% of revenues)
- Q1 2019 outlook: revenues EUR 124 - 134 million; Pro forma operating income 0% - 4% of revenues

Munich, Germany. February 21, 2019. ADVA Optical Networking (ISIN: DE0005103006), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported financial results for Q4 and full year 2018 ended on December 31, 2018. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Q4 2018 financial summary*

(in thousands of EUR)	Q4 2018	Q4 2017	Change	Q3 2018	Change
Revenues	131,513	117,238	12.2%	126,178	4.2%
Pro forma gross profit	48,665	42,465	14.6%	47,304	2.9%
in % of revenues	37.0%	36.2%	0.8pp	37.5%	-0.5pp
Pro forma operating income	8,106	4,496	80.3%	6,776	19.6%
in % of revenues	6.2%	3.8%	2.4pp	5.4%	0.8pp
Operating income (loss)	6,332	2,294	176.0%	4,994	26.8%
Net income	3,633	-948	n/a	3,908	-7.0%

(in thousands of EUR)	Dec. 31 2018	Dec. 31 2017	Change	Sep. 30 2018	Change
Cash and cash equivalents	62,652	58,376	7.3%	53,949	16.1%
Net liquidity (+) / Net debt (-)	-26,832	-38,185	29.7%	-38,656	30.6%

*Potential differences due to rounding

Q4 2018 IFRS financial results

Revenues for Q4 2018 increased by 4.2% to EUR 131.5 million from EUR 126.2 million in Q3 2018 and increased by 12.2% from EUR 117.2 million in the same year-ago period. Revenues for Q4 2018 were within the guidance forecast the company provided on October 25, 2018 of between EUR 126 million and EUR 136 million.

Pro forma operating income for Q4 2018 was EUR 8.1 million (6.2% of revenues), compared to EUR 6.8 million (5.4% of revenues) in Q3 2018 and a pro forma operating income of EUR 4.5 million in the same year-ago period. Pro forma operating income for Q4 2018 was at the upper end of the company's guidance range of between 3% and 7% of revenues.

Operating income for Q4 2018 increased to EUR 6.3 million, compared to operating income of EUR 5.0 million reported for Q3 2018, and improved significantly from the operating income of EUR 2.3 million in the same year-ago period.

Net income for Q4 2018 was EUR 3.6 million, down from EUR 3.9 million in Q3 2018 and significantly improved in comparison to the same year-ago period net loss of EUR 0.9 million.

At quarter-end, the company's cash and cash equivalents totaled EUR 62.7 million, representing an increase of 16.1% compared to EUR 53.9 million in Q3 2018.

The company's net debt decreased by EUR 11.8 million to EUR 26.8 million from EUR 38.7 million at the end of the prior quarter.

Net working capital at quarter-end was EUR 120.5 million compared to EUR 131.0 million at the end of Q3 2018.

2018 annual summary*

(in thousands of EUR)	2018	2017	Change
Revenues	501,981	514,471	-2.4%
Pro forma gross profit	185,621	174,377	6.4%
in % of revenues	37.0%	33.9%	3.1pp
Pro forma operating income	23,266	19,522	19.2%
in % of revenues	4.6%	3.8%	0.8pp
Operating income (loss)	14,989	4,403	240.4%
Net income	9,678	-4,228	n/a

(in thousands of EUR)	Dec. 31 2018	Dec. 31 2017	Change
Cash and cash equivalents	62,652	58,376	7.3%
Net liquidity (+) / Net debt (-)	-26,832	-38,185	29.7%

*Potential differences due to rounding

For the full year 2018, revenues decreased by 2.4% to EUR 502.0 million from EUR 514.5 million in 2017. The decline is mainly attributable to the lower revenue base with one of the world's largest internet content

providers (ICP) in North America, which could not be fully compensated in 2018. Nevertheless, revenues in the past financial year continuously increased over all quarters.

Albeit, revenues declined in 2018, pro forma gross profit increased by 6.4% from EUR 174.4 million in 2017 to EUR 185.6 million in 2018. This improvement resulted mainly from changes in the customer and product mix.

Pro forma operating income for 2018 was EUR 23.3 million (4.6% of revenues), compared to EUR 19.5 million (3.8% of revenues) in 2017. Operating income for 2018 was EUR 15.0 million compared to EUR 4.4 million in 2017 and was increased significantly by EUR 10.6m. Operating income for 2018 was EUR 15.0 million compared to EUR 4.4 million in 2017 and was increased significantly by EUR 10.6 million.

In 2018, ADVA generated a net income of EUR 9.7 million, after a loss of EUR 4.2 million in the prior year.

Basic and diluted earnings per share in 2018 amounted to positive EUR 0.19 both compared to basic and diluted earnings per share of negative EUR 0.09 in 2017.

Management commentary

“We have steered a steady course in these turbulent times, remaining focused on our key goals to ensure both stability and continuity,” said Uli Dopfer, CFO, ADVA. “In all four quarters of 2018, we were able to increase our revenues sequentially. Our profitability also developed in a positive direction. In addition to successfully developing existing customers, we have won important new projects in all regions. At the same time, consolidation in our industry has further reduced the number of competitors, further sharpening our profile as an innovative telecommunications supplier with a unique blend of innovation and customer focus.”

“Digitization continues to transform networks and drive the investment focus towards us,” commented Brian Protiva, CEO, ADVA. “The rapid development and rollout of artificial intelligence, edge computing solutions, IoT and 5G require a robust and scalable telecommunications infrastructure with greater optical transmission capacity, new models for providing communication services, and increasingly precise network synchronization. Our key investments address each of these issues and clearly underline the value of our acquisition strategy. From this solid base, we’re creating new growth opportunities that we will capitalize on.”

Q1 2019 financial outlook

For Q1 2019, ADVA expects revenues to be in the range of EUR 124 million and EUR 134 million and a pro forma operating income of between 0% and 4% 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 Q1 2019 and beyond, which are excluded from the above guidance.

The company will publish its financial results for Q1 2019 on April 18, 2019.

Conference call details

ADVA will hold a conference call for analysts and investors today, February 21, 2019, 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. CET (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: 77 99 17 44#

A corresponding presentation is available on ADVA's website:

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

The complete 2018 Annual Report (January – December) is available as a PDF here:

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

A replay of the call will be available here:

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

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 the historical information presented in accordance with IFRS.

About ADVA Optical Networking

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.advaoptical.com.

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