

Adtran Networks SE announces results for fiscal year 2023

- Annual revenues down by 13.8% to EUR 613.7 million
- Annual pro forma EBIT at EUR 39.8 million (6.5% of revenues)

Munich, Germany. February 27, 2024. Adtran Networks SE (ISIN: DE0005103006, FSE: ADV), a leading provider of open networking solutions for the delivery of cloud and mobile services, reported preliminary, unaudited financial results for Q4 2023 and full year 2023 ended on December 31, 2023. The results have been prepared in accordance with International Financial Reporting Standards (IFRS). The final audited annual financial statements of Adtran Networks SE and the IFRS annual report for 2023 will be published on April 18, 2024.

Q4 2023 financial summary¹

(in thousands of EUR)	Q4 2023	Q4 2022	Change	Q3 2023	Change
Revenues	118,470	195,699	-39.5%	145,655	-18.7%
Pro forma gross profit	47,491	70,592	-32.7%	55,183	-13.9%
in % of revenues	40.1%	36.1%	4.0pp	37.9%	2.2pp
Pro forma EBIT	9,257	24,407	-62.1%	8,731	6.0%
in % of revenues	7.8%	12.5%	-4.7pp	6.0%	1.8pp
Operating income ²	-1,108	14,803	n/a	150	n/a
Net income/loss	-22,734	3,781	n/a	1,305	n/a

(in thousands of EUR)	Dec. 31, 2023	Dec. 31, 2022	Change	Sep. 30, 2023	Change
Cash and cash equivalents	30,554	58,447	-47.7%	57,809	-47.1%
Net cash (+) / Net debt (-) ³	-42,399	-19,185	121.0%	-28,442	49.1%

¹ Potential difference due to rounding

² Q4 2023 including EUR 7.8 million, Q3 2023 including EUR 6.7 million extraordinary expenses

³ Q4 2023 including EUR 52.8 million (Q3 2023: EUR 53.6 million) financial liabilities to Adtran Holdings, Inc. and EUR 23.9 million (Q3 2023: nil) financial receivables from Adtran Holdings, Inc. due to DPLTA

Q4 2023 IFRS financial results

Revenue in Q4 2023 was down 18.7% to EUR 118.5 million from EUR 145.7 million in Q3 2023 and was also down 39.5% compared to EUR 195.7 million in Q4 2022. The uncertain macroeconomic environment, with higher interest rates and elevated customer inventory levels impacted customer spending behavior.

Pro forma gross profit in Q4 2023 was down 13.9% to EUR 47.5 million (40.1% of revenues) from EUR 55.2 million (37.9% of revenues) in Q3 2023 and decreased by 32.7% from EUR 70.6 million (36.1% of revenues)

in Q4 2022. The margin increase was due to lower material costs, and a more favorable customer and product mix.

Pro forma EBIT in Q4 2023 was EUR 9.3 million (7.8% of revenues), up approx. 6.0% from EUR 8.7 million (6.0% of revenues) in Q3 2023 and down by 62.1% from EUR 24.4 million (12.5% of revenues). The quarter-over-quarter increase in pro forma EBIT was due to the improvement in gross margin as well as lower operational expenses. The year-over-year decline was primarily due to lower revenues, only partially compensated by a reduction in cost of goods sold and operating expenses.

Operating income decreased from EUR 0.2 million in Q3 2023 to an operating loss of EUR 1.1 million in Q4 2023 and decreased from an operating income of EUR 14.8 million in Q4 2022 by EUR 15.9 million. Main reasons for the reduction of the operating income for Q4 2023 were EUR 7.8 million extraordinary expenses related to the cost improvement program and to a goodwill impairment.

Net loss was EUR 22.7 million in Q4 2023, compared to net income of EUR 1.3 million in Q3 2023 and to a net income of EUR 3.8 million in Q4 2022. The sequential decrease in net income was related to the lower top line and due to high tax expenses in Q4 2023.

The company's cash and cash equivalents decreased by EUR 27.2 million to EUR 30.6 million compared to EUR 57.8 million at the end of Q3 2023 and decreased by EUR 27.8 million compared to EUR 58.4 million in Q4 2022. The reduction in cash is mainly due to a decline in operating cash flow as well as EUR 10 million repayment of debt.

The company's net debt increased by EUR 14.0 million from EUR 28.4 million in Q3 2023 to EUR 42.4 million in Q4 2023 and increased by EUR 23.2 million from a net debt position of EUR 19.2 million in Q4 2022.

Full year 2023 financial summary¹

(in thousands of EUR)	2023	2022	Change
Revenues	613,671	712,114	-13.8%
Pro forma gross profit	221,277	236,854	-6.6%
in % of revenues	36.1%	33.3%	2.8pp
Pro forma EBIT	39,810	50,386	-21.0%
in % of revenues	6.5%	7.1%	-0.6pp
Operating income ²	13,302	18,112	-26.6%
Net income	-14,514	18,132	n/a

(in thousands of EUR)	Dec. 31, 2023	Dec. 31, 2022	Change
Cash and cash equivalents	30,554	58,447	-47.7%
Net cash (+) / Net debt (-)	-42,399	-19,185	121.0%

¹ Potential differences due to rounding

² 2023 including EUR 18.0 million and 2022 including EUR 24.8 million extraordinary expenses

Full year 2023 IFRS financial results

The revenues decreased by 13.8%, from EUR 712.1 million in 2022 to EUR 613.7 million in 2023. The revenues were within the guidance corridor, which was revised in August 2023, indicating a reduction in the high single-digit to low teens percentage range compared to the fiscal year 2022. Revenues were impacted

by the uncertain macroeconomic environment, higher interest rates and high inventory levels weighing on the spending behavior of customers.

Pro forma gross profit was down 6.6% from EUR 236.9 million (33.3% of revenues) in 2022 to EUR 221.3 million (36.1% of revenues) in 2023. Full year gross margins were supported by lower purchasing costs and a more favorable customer mix.

Pro forma EBIT for 2023 was down 21.0%, from 50.4 million or 7.1% of revenues in 2022 to EUR 39.8 million or 6.5% of revenues.

Operating income was down by 26.6%, from EUR 18.1 million in 2022 to EUR 13.3 million in 2023. The results for 2023 were impacted by lower revenues and extraordinary expenses resulting from cost-improvement measures.

Consequently, net income decreased from EUR 18.1 million in 2022 to a net loss of EUR 14.5 million in 2023. In addition to the lower revenues and higher operating costs, net income was also impacted negatively by substantially higher tax expenses in 2023 compared to 2022.

Basic earnings per share in 2023 amounted to EUR -0.28 compared to EUR 0.35 in 2022. Diluted earnings per share in 2023 also amounted to EUR -0.28 compared to diluted earnings per share of EUR 0.35 in 2022.

Management commentary

“Q4 revenue and profitability came in at the expected range”, stated Tom Stanton, Adtran Networks SE CEO. “Although, revenues continued to remain challenging due to the macroeconomic environment and elevated customer inventories, we believe the fundamental demand landscape remains unchanged. Service providers continue to pursue the same objectives of expanding their fiber footprint and enhancing bandwidth, necessitating global infrastructure buildouts. With the ongoing implementation of our cost improvement measures, we are transforming into a more streamlined and efficient company. We believe that this positions us well to excel when spending returns to normal levels.”

The company will publish its financial results for Q1 2024 on May 7, 2024.

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 Adtran Networks SE. Adtran Networks SE 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 Adtran Networks SE or the market in the shares of Adtran Networks SE.

Use of pro forma financial information

Adtran Networks SE 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 Adtran Networks SE operating results from one financial period to another. Adtran Networks SE 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, non-recurring expenses relating to M&A 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 Adtran Networks SE

Adtran Networks SE 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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