



- Quarterly statement, 9M 2019



Open edge networking

LETTER TO THE SHAREHOLDERS

Dear shareholders and business associates,

As we reported for the first time in our results in Q1 2019, we also report our Q3 figures in the form of a quarterly statement. In this document, we share with you our key financial metrics in the usual, fully transparent way. Additionally, this letter provides you with further qualitative insights into our business development.

Positive sales development but macroeconomic uncertainties

In the third quarter of the financial year, our revenues continued to develop very well, and we are happy with our order backlog. Our two key metrics were within our guidance released on July 25th. Compared to Q3 2018, we were even able to increase our revenues by 14.4%, putting us at the upper end of our guidance corridor.

However, the effects of US trade policy had an increasing negative impact on our business. A significant portion of our products are produced in China, and as a result, the tariffs on China-made goods, which have been raised in several phases, are significantly impacting our margins in the US. In addition, the continued strength of the US dollar impacts our margins, as most of our components are purchased in US dollars.

Reactions to the changed global situation

As the demand for telecommunications equipment in our technology areas continues to grow, we have taken several measures to mitigate the negative impact on our margins caused by the trade policy:

- Relocation of production from China: these relocations are extensive and lead to extraordinary costs but also result in a cost base in the medium term that will benefit our US business.
- Pro-active stock purchases and prefabrication: In order to reduce the negative impact of import duties, we have prematurely transferred prefabricated materials and components to locations outside of China. This shift was under time pressure and resulted in increased freight costs. Consequently, our inventory and thus working capital increased, which led to a reduction in cash in the past quarter. These measures, however, will help to improve our profitability.

- Tight control of operating costs: we have aggressively invested in innovation and technology in the recent quarters and developed many important products. Thus, we are now in the position to reduce our R&D efforts in various points of our portfolio without jeopardizing our competitiveness. We will streamline our footprint and selectively reduce headcount in order to optimize our cost base and improve our profitability.

Share price development

The ADVA share price was volatile during Q3 with shares trading mostly between EUR 6 and EUR 7. Macroeconomic headwinds centered on slowing global GDP and trade issues caused some near-term challenges, but the long-term fundamentals for our industry and our company remain intact. Two new analysts initiated favorable coverage with buy ratings: Commerzbank with a price target of EUR 8.40 and First Berlin with a goal of EUR 8.50. These targets represent an increase of approximately 30%.

Technology-Tripod aligned with market trends

We have made significant progress within our three core technological competencies and our solution portfolio is stronger and more competitive than ever.

The much-discussed introduction of 5G pushes the fiber deeper into the access area of networks. The investment focus of the carriers is thus moving towards the network edge. Corresponding technological advances such as IoT and edge computing also require a new, innovative and scalable telecommunications infrastructure, with more efficient optical transmission technology, new virtualized models for service provisioning and highly accurate synchronization solutions.

Our portfolio is precisely tailored to these trends:

- Our FSP 3000 provides open, highly scalable and programmable optical transmission technology that further reduces the cost of bit transport while enhancing network flexibility and security. In addition to being deployed in carrier infrastructure, the platform is also widely used by large enterprises and internet content providers (ICPs) for interconnecting large scale data centers. The launch of our new TeraFlex™ terminal is proceeding according to plan, and we are achieving excellent test results with all our customers.
- Our FSP 150 family of packet edge solutions together with our Ensemble software products provide flexible and fast delivery of NFV-based services at the network edge. New concepts such as edge computing require network technology based on the principles of openness and programmability. Acquisition of new customers with our Ensemble software has accelerated significantly this year.
- Revenue development with our Oscilloquartz synchronization solutions continues to grow and we will exceed our 2018 results this fiscal year. The technology portfolio is state-of-the-art and with new capabilities now also relevant outside the telecom sector.

Solid growth, acceptable profitability

While changes in the global economy currently impact our profitability, revenues continue to develop in a positive manner. Growth and profitability are our key objectives, and we took initiatives in this quarter to keep our business on track. Digitization is changing the network and bringing the investment focus to us. We are technologically very well positioned. Our three core competencies are strategically relevant to the transformation of networks. A transformation based on openness, virtualization, security and precision timing. This creates new growth opportunities

We remain committed to the positive outlook for the current fiscal year and continue to invest all our energy and creativity in innovative solutions for the benefit of our customers, shareholders and employees.

October 24, 2019



Brian Protiva

Chief executive officer

IFRS FINANCIAL HIGHLIGHTS 9M 2019

Income statement

(in thousands of EUR, except earnings per share and ratios)	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Revenues	144,310	126,178	14%	405,686	370,468	10%
Pro forma operating income ^{*)}	7,393	6,776	9%	14,478	15,160	-4%
Pro forma operating margin in %	5.1%	5.4%	-0.3pp	3.6%	4.1%	-0.5pp
Operating income	3,200	4,994	-36%	6,565	8,657	-24%
Operating margin in %	2.2%	4.0%	-1.8pp	1.6%	2.3%	-0.7pp
Net income	2,190	3,908	-44%	4,523	6,045	-25%
Diluted earnings per share in EUR	0.04	0.08	-50%	0.09	0.12	-25%

Cash flow statement

(in thousands of EUR)	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Cash flow from operating activities	9,015	9,508	-5%	37,345	33,229	12%
Gross capital expenditure for property, plant and equipment and other intangible assets	-4,837	-4,544	6%	-12,523	-10,189	23%

Balance sheet and financial ratios

(in thousands of EUR)	Sep. 30, 2019	Dec. 31, 2018	Change
Liabilities to banks	77,049	89,484	-14%
Leverage per year ^{*)}	1.2	1.4	-8%
Lease liabilities (according to IFRS 16 from Jan. 1, 2019)	36,220	n/a	n/a
Financial debt ^{**)}	113,269	89,484	27%
Cash and cash equivalents	-38,396	-62,652	-39%
Net debt ^{*)**)}	74,873	26,832	179%
Net working capital ^{*)}	137,789	120,475	14%
Equity	254,977	244,641	4%
Equity ratio in % ^{*)}	48.1%	50.3%	-2.2pp
Capital Employed ^{*)}	363,772	309,317	18%
ROCE in % ^{*)}	2.4%	4.8%	-2.4pp

Employees

(at period end)	Sep. 30, 2019	Dec. 31, 2018	Change
	1,935	1,886	3%

^{*)} Key performance indicators and other ratios are defined in the glossary at the end of this document.

^{**)} The first-time adoption of IFRS 16 in the current period has an impact on the marked performance indicators.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

Business development and operational performance

Revenues

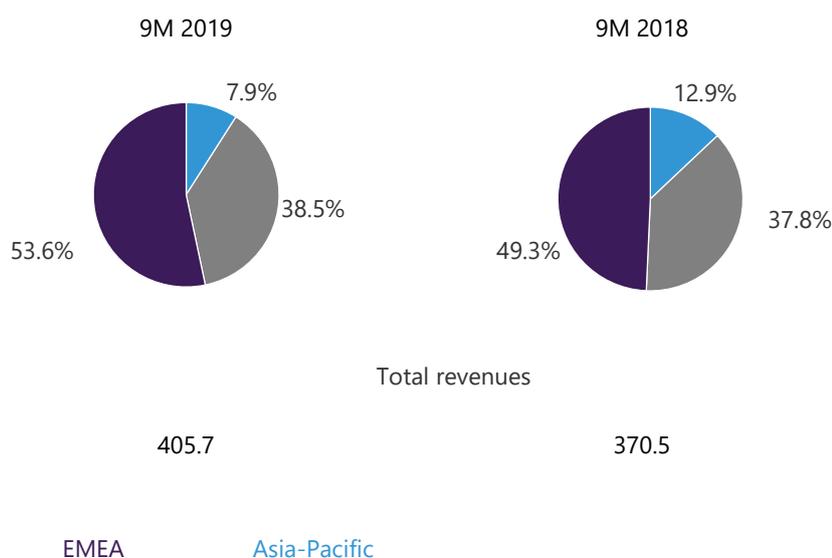
Revenues represent one of the four key performance indicators for ADVA. The group's revenues in 9M 2019 amounted to EUR 405.7 million and were EUR 35.2 million or 9.5% above revenues of EUR 370.5 million in 9M 2018. Compared to revenues of EUR 133.2 million in Q2 2019, revenues in 9M 2019 increased by 8.3% to EUR 144.3 million. The increase in revenue compared to 9M 2018 is supported by all technologies and by solid customer demand, especially from EMEA and America. The increase in revenue compared

to the previous quarter results from increased order intake across all customer groups.

In 9M 2019, EMEA (Europe, the Middle East and Africa) was once again the most important sales region, followed by America and Asia-Pacific. Year-on-year, sales in EMEA increased to EUR 217.5 million in 9M 2019 compared to EUR 182.7 million in 9M 2018. ADVA continues to perform well in this region, and is thriving with a broad, loyal customer base and mature partnering strategy. Revenues in America increased by 11.3% from EUR 140.2 million in 9M 2018 to EUR 156.0 million in 9M 2019. Business in America developed well. In the Asia-Pacific region, sales declined to EUR 32.2 million in 9M 2019 compared to EUR 47.6 million in 9M 2018. The region is still dominated by project-based business, leading to quarterly fluctuations of this magnitude.

Revenues by region

(in millions of EUR and relative to total revenues)



Results of operations

Cost of goods sold increased by EUR 31.6 million to EUR 268.1 million in 9M 2019 mainly due to the increase in revenues. In 9M 2019, cost of goods sold included EUR 23.9 million (9M 2018: EUR 21.8 million) of amortization of capitalized development projects.

Gross profit improved from EUR 134.0 million in 9M 2018 to EUR 137.5 million in 9M 2019, while gross margins declined to 33.9% in 9M 2019 after 36.2% in 9M 2018. The decline in the gross margin in 9M 2019 compared to 9M 2018 results from a change in the customer and product mix.

ADVA's operating income decreased by EUR 2.1 million to a positive EUR 6.6 million in 9M 2019, mainly driven by the increase in operating costs from EUR 125.3 million in 9M 2018 to EUR 131.0 million in the current period.

Within operating costs, sales and marketing expenses in 9M 2019 of EUR 52.7 million were higher than the prior-year number of EUR 47.2 million in 9M 2018. They amounted to 13.0% or 12.7% of revenues and thus largely increased in line with revenue growth.

General and administrative expenses of EUR 26.2 million in 9M 2019 remained fairly stable compared to EUR 26.3 million in 9M 2018 and amounted to 6.5% and 7.1% of revenues, respectively.

At EUR 55.7 million in 9M 2019, R&D expenses were down compared to EUR 58.8 million seen in 9M 2018, comprising 13.7% and 15.9% of revenues, respectively. While gross R&D expenses increased to EUR 88.4 million in 9M 2019 compared to EUR 81.7 million reported in 9M 2018, income from capitalization of development expenses significantly increased from EUR 22.9 million in 9M 2018 to EUR 32.7 million in 9M 2019. The capitalization rate in 9M 2019 amounted to 37.0%, up from 28.0% reported in 9M 2018. ADVA's research and development activities are driven by the distinct emphasis on differentiating its innovative connectivity solutions for cloud and mobile services and working with customers and partners to identify and meet their current and future needs. The resulting key technologies and products simplify complicated network structures and supplement existing solutions.

Pro forma operating income represents one of the four key performance indicators for ADVA. As pro forma operating income excludes non-cash charges related to stock compensation and business combinations as well as non-recurring expenses related to restructuring measures, the management board of ADVA believes that pro forma operating income is a more appropriate measure than operating income when benchmarking the group's operational performance against other telecommunications equipment providers. In 9M 2019, ADVA reported a pro forma operating income of EUR 14.5 million after EUR 15.2 million in 9M 2018, representing 3.6% and 4.1% of revenues, respectively.

Beyond the operating result, net interest expenses of EUR 1.7 million (9M 2018: EUR 1.0 million), includes interest effects from lease accounting of EUR 0.9 million due to the first-time adoption of IFRS 16. Furthermore, net financial gains of EUR 1.5 million (9M 2018: net financial losses of EUR 0.5 million) relating to the revaluation of foreign currency assets and liabilities and the result on hedging instruments, impacted the net income in 9M 2019.

In 9M 2019, the group reported an income tax expense of EUR 1.8 million after an income tax expense of EUR 1.1 million in 9M 2018. In both periods income tax effects result from the application of the expected tax rate to the relevant income before tax of the respective entity of the ADVA Group.

Summary: Business development and operational performance

In 9M 2019, ADVA reported increased revenues while gross margin decreased over the period. Mainly due to the declining development of the operating result in 9M 2019, which results in particular from the increase of operating costs, ADVA reports a net income of EUR 4.5 million in the current period after a net income of EUR 6.0 million in 9M 2018.

Net assets and financial position

Balance sheet structure

ADVA's total assets increased by EUR 43.3 million from EUR 486.5 million at the end of 2018 to EUR 529.8 million at the end of September 2019, particularly due to the effects of the first-time adoption of IFRS 16.

At EUR 256.5 million at the end of 9M 2019, current assets were slightly lower than the corresponding figure of EUR 257.2 million at the end of 2018, accounting for 48.4% and 52.9% of the balance sheet total, respectively, at these reporting dates. The decrease in current assets was mainly driven by the strong decrease in cash and cash equivalents by EUR 24.2 million to EUR 38.4 million, in particular due to the payment of variable compensation components in 9M 2019. Inventories at EUR 98.0 million, were above the level at the end of the previous year. The inventory turns remained fairly stable at 4.1x after 4.0x 12M 2018. Trade receivables increased from EUR 97.9 million at December 31, 2018 to EUR 108.1 million at the end of 9M 2019. The average days sales outstanding remained stable at 68 days in 9M 2019 compared to 12M 2018.

Non-current assets increased to EUR 273.3 million at the end of 9M 2019 from EUR 229.3 million at year-end 2018, mainly due to the capitalization of rights of use assets of EUR 34.3 million resulting from the first-time adoption of IFRS 16 as mentioned above. The right of use assets relate to leased production and administration buildings as well as cars. In addition, capitalized development projects increased by EUR 8.1 million due to the higher capitalization rate and goodwill increased by EUR 2.7 million exclusively due to currency translation effects.

Meaningful additional assets belonging to ADVA are the broad and global customer base of several hundred service providers and thousands of enterprises, the ADVA brand, the vendor and partner relationships and a highly motivated and skilled global team. These assets are not included in the balance sheet. Customer satisfaction as measured by the Net Promoter Score⁷⁾ represents one of the group's four key performance indicators, highlighting the value of sustainable relationships with customers to ADVA. In 2018, ADVA reported a net promoter score of 52.

On the equity and liabilities side, current liabilities increased by EUR 10.7 million from EUR 145.6 million on December 31, 2018 to EUR 156.3 million on September 30, 2019. This increase is primarily due to EUR 5.2 million higher trade payables. In 9M 2019, days payables outstanding were at 62 days compared to 55 days in 12M 2018. Due to the first-time application of IFRS 16, current liabilities from lease contracts amounting to EUR 5.9 million were reported for the first time in 9M 2019. Current provisions increased by EUR 7.7 million for the current period, as employees' variable compensation entitlement for 2019 has been included on a pro rata basis. At the same time, other current decreased by EUR 8.4 million liabilities in particular due to the payment of variable compensation components for 2018 in 9M 2019. Current contractual liabilities amounted to EUR 15.8 million as of September 30, 2019, compared to EUR 14.1 million at year-end 2018.

Non-current liabilities increased from EUR 96.3 million at the end of 2018 to EUR 118.5 million at the end of 9M 2019. The increase mainly results from the aforementioned accounting of liabilities from lease contracts due to the first-time adoption of IFRS 16. Non-current leasing liabilities amounted to EUR 30.4 million at the end of 9M 2019. At the same time, non-current liabilities to banks decreased by EUR 12.3 million due to scheduled repayments.

Stockholders' equity increased from EUR 244.6 million reported on December 31, 2018, to EUR 255.0 million on September 30, 2019. The equity ratio was at 48.1% at the end of Q3 2019, after 50.3% on December 31, 2018, while the non-current assets ratio amounted to 93.3% and 106.7%, respectively with stockholders' equity largely covering the non-current assets. The decrease in the two key figures is in particular due to the recognition of leasing and the capitalization of rights of use assets in connection with the first-time adoption of IFRS 16.

Capital expenditures

Capital expenditures for additions to property, plant and equipment in 9M 2019 amounted to EUR 11.8 million, above the EUR 9.1 million seen in 9M 2018.

Capital expenditures for intangible assets of EUR 33.5 million in 9M 2019 were also significantly up from EUR 24.0 million in 9M 2018. This total mainly consists of capitalized development projects of EUR 32.7 million in 9M 2019 after EUR 22.9 million in 9M 2018.

Cash flow

Cash flow from operating activities was positive EUR 37.3 million in 9M 2019, after positive EUR 33.2 million in 9M 2018, and mainly relates to non-cash depreciation charges partly offset by working capital changes in both periods.

Cash flow from investing activities amounted to negative EUR 45.1 million in 9M 2019 after negative EUR 32.9 million in 9M 2018. The clearly increased use of funds for investing activities is largely due to higher investment in capitalized development projects and property, plant and equipment.

Finally, net cash outflows of EUR 16.5 million were reported from financing activities in 9M 2019, after cash outflows of EUR 4.8 million from financing activities in 9M 2018. The cash outflow in 9M 2019 was due to scheduled servicing of existing liabilities to banks as well as reduction of lease liabilities. In 9M 2018, the outflows mainly resulted from taking up new debt of EUR 10.0 million as well as offsetting effects from scheduled servicing of existing debts.

Overall, including the net effect of foreign currency translation of nearly zero in 9M 2019, cash and cash equivalents clearly decreased by EUR 24.2 million, from EUR 62.6 million at the end of December 2018 to EUR 38.4 million on September 30, 2019. With the exception of local currency regulations for cash and cash equivalents in China amounting to EUR 3.8 million, there were no significant restrictions at the end of the quarter.

Financing and liquidity

ADVA's financial management is performed centrally by ADVA SE. Its objective is to provide sufficient funds to ensure ongoing operations and to support the group's projected growth. Beyond the strong equity base appropriate for the business, ADVA finances its business by means of liabilities with maturities typically exceeding the life of the assets being financed. For any liability taken, ADVA is focused on minimizing related interest cost, if access to funds is not at risk. Excess funds are generally used to pay back loans.

Total financial debt increased significantly by EUR 23.8 million to EUR 113.3 million at the end of 9M 2019. While the current portion of liabilities to banks remained fairly stable at EUR 19.3 million, the non-current portion of liabilities to banks decreased to EUR 57.8 million at the end of September 2019 due to scheduled repayments. In addition, due to the first-time adoption of IFRS 16, current and non-current liabilities from leasing amounting to EUR 36.2 million are included in financial debt in 9M 2019.

On September 30, 2019, the group had access to EUR 10.0 million of undrawn committed borrowing facilities (December 31, 2018: EUR 10.0 million).

Net debt represents one of the four key performance indicators for ADVA. Mainly due to the increase in financial debt explained in the previous paragraph ADVA's net debt increased significantly from EUR 26.8 million at year-end 2018 to EUR 74.9 million at the end of September 2019. Cash and cash equivalents on September 30, 2019, and on December 31, 2018, were invested mainly in EUR, USD and GBP.

Return on capital employed in 9M 2019 was 2.4%, down from 3.8% reported in 9M 2018. This development is mainly due to the declined operating result in 9M 2019.

Summary: Net assets and financial position

ADVA's net assets and financial position remained solid in 9M 2019 despite a decline in cash and cash equivalents and an increase in net debt. In particular, net debt was influenced by the initial recognition of lease liabilities in accordance with IFRS 16. At the end of 9M 2019, current liabilities are largely covered by cash and cash equivalents and outstanding trade receivables.

OUTLOOK

The company's management board is adhering to the outlook of February 19, 2019 presented in the 2018 annual report and expects year-on-year revenue growth for 2019 to be in the upper single-digit percentage range.

Due to the strong USD exchange rate and the additional costs resulting from international trade conflicts, the margin development in the reporting period remained significantly behind the board's expectations. In order to respond to these market challenges, the management board has intensified control of its operational cost. Therefore, the board expects to reach a pro forma operating income margin in the mid-single-digit range and continues to strive for an increase in pro forma operating income compared to the previous year.

The increased cost base, paired with high R&D investments and additional expenses related to operational cost control measures lead to increasing capital requirements. Thus, the Management Board does not expect an improvement of net debt.

The group will continue to selectively invest in product development, technology and revenue-generating opportunities. In addition, the management board expects, with the continued focus on innovation, quality and service, that customer satisfaction measured by 2019's Net Promoter Score will once again be at high positive levels of at least 40%.

Actual results may differ materially from expectations if risks materialize or the underlying assumptions prove unrealistic. The major risks facing ADVA are discussed in the "Risk Report" section of the 2018 Annual Report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2019 (UNAUDITED)

(in thousands of EUR)	Sep. 30, 2019	Dec. 31, 2018
Assets		
Current assets		
Cash and cash equivalents	38,396	62,652
Trade accounts receivable	108,119	97,936
Contract assets	209	320
Inventories	98,029	85,734
Tax assets	2,628	1,675
Other current assets	9,135	8,899
Total current assets	256,516	257,216
Non-current assets		
Right-of-use assets	34,338	n/a
Property, plant and equipment	31,100	29,052
Goodwill	73,073	70,400
Capitalized development projects	96,030	87,926
Intangible assets acquired in business combinations	22,733	26,012
Other intangible assets	4,130	5,512
Deferred tax asset	7,187	7,315
Other non-current assets	4,698	3,105
Total non-current assets	273,289	229,322
Total assets	529,805	486,538

(in thousands of EUR)	Sep. 30, 2019	Dec. 31, 2018
Equity and liabilities		
Current liabilities		
Lease liabilities	5,854	n/a
Liabilities to banks	19,269	19,400
Trade accounts payable	68,359	63,195
Other provisions	22,738	15,005
Tax liabilities	3,861	5,067
Contract liabilities	15,777	14,061
Refund liabilities	476	511
Other current liabilities	19,986	28,337
Total current liabilities	156,320	145,576
Non-current liabilities		
Lease liabilities	30,366	n/a
Liabilities to banks	57,780	70,084
Provisions for pensions and similar employee benefits	6,579	5,531
Other provisions	1,312	1,453
Deferred tax liabilities	12,879	10,828
Contract liabilities	7,191	6,469
Other non-current liabilities	2,401	1,956
Total non-current liabilities	118,508	96,321
Total liabilities	274,828	241,897
Stockholders' equity entitled to the owners of the parent company		
Share capital		
(Conditional capital EUR 4,778 thousand; prior year EUR 4,778 thousand)	50,164	49,931
Capital reserve	318,199	316,072
Accumulated deficit	-121,693	-131,371
Net income	4,523	9,678
Accumulated other comprehensive income	3,784	331
Total stockholders' equity	254,977	244,641
Total equity and liabilities	529,805	486,538

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2019 (UNAUDITED)

(in thousands of EUR, except earnings per share and number of shares)	Q3 2019	Q3 2018	9M 2019	9M 2018
Revenues	144,310	126,178	405,686	370,468
Cost of goods sold	-96,567	-79,783	-268,145	-236,491
Gross profit	47,743	46,395	137,541	133,977
Selling and marketing expenses*	-17,311	-15,120	-52,653	-47,164
General and administrative expenses	-8,711	-7,728	-26,172	-26,346
Research and development expenses	-19,005	-19,339	-55,689	-58,782
Other operating income	665	1,000	3,849	7,422
Other operating expenses	-181	-214	-311	-450
Operating income	3,200	4,994	6,565	8,657
Interest income	49	39	339	169
Interest expenses	-694	-403	-2,070	-1,196
Currency translation gains and losses, net	782	100	1,522	-522
Income before tax	3,337	4,730	6,356	7,108
Income tax (expense) benefit, net	-1,147	-822	-1,833	-1,063
Net income entitled to the owners of the parent company	2,190	3,908	4,523	6,045
Earnings per share in EUR				
basic	0.04	0.08	0.09	0.12
diluted	0.04	0.08	0.09	0.12
Weighted average number of shares for calculation of earnings per share				
basic	50,078,859	49,846,515	50,028,853	49,774,427
diluted	50,545,928	50,270,410	50,495,922	50,198,322

* In 9M 2019, selling and marketing expenses include EUR 87 thousand income from changes of risk provision for trade accounts receivable according to IFRS 9.

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(in thousands of EUR)	Q3 2019	Q3 2018	9M 2019	9M 2018
Cash flow from operating activities				
Income before tax	3,337	4,730	6,356	7,108
Adjustments to reconcile income before tax to net cash provided by operating activities				
Non-cash adjustments				
Amortization of non-current assets	16,178	12,831	45,919	36,571
Loss from disposal of property, plant and equipment and intangible assets	136	4	220	253
Stock compensation expenses	292	359	1,188	1,061
Other non-cash expenses	270	229	631	818
Foreign currency exchange differences	78	-336	-1,120	656
Changes in assets and liabilities				
Decrease (increase) in trade accounts receivable	-8,226	-8,072	-10,072	-22,906
Decrease (increase) in inventories	-9,893	-3,837	-12,295	1,594
Decrease (increase) in other assets	-215	474	-1,968	718
Increase (decrease) in trade accounts payable	7,974	2,702	5,164	13,874
Increase (decrease) in provisions	882	884	7,809	3,418
Increase (decrease) in other liabilities	-1,556	278	-3,237	-8,082
Income tax paid	-242	-738	-1,250	-1,854
Net cash provided by operating activities	9,015	9,508	37,345	33,229
Cash flow from investing activities				
Investments in property, plant and equipment	-4,247	-4,142	-11,751	-9,130
Investments in intangible assets	-10,760	-7,462	-33,499	-23,957
Interest received	49	42	139	158
Net cash used for investing activities	-14,958	-11,562	-45,111	-32,929
Cash flow from financing activities				
Proceeds from capital increase and exercise of stock options	1,016	509	1,172	655
Decrease of lease liabilities	-1,170	n/a	-3,143	n/a
Payments received from liabilities to banks	-	-520	-	75,730
Cash repayment of liabilities to banks	-3,125	-3,125	-12,375	-79,688
Interest paid	-742	-569	-2,136	-1,520
Net cash used in financing activities	-4,021	-3,705	-16,482	-4,823
Net effect of foreign currency translation on cash and cash equivalents	85	52	-8	96
Net change in cash and cash equivalents	-9,879	-5,707	-24,256	-4,427
Cash and cash equivalents at the beginning of the period	48,275	59,656	62,652	58,376
Cash and cash equivalents at the end of the period	38,396	53,949	38,396	53,949

FINANCIAL CALENDAR

Needham Security, Networking & Communications Conference	November 12, 2019 New York, USA
Deutsches Eigenkapitalforum 2019	November 25 to 26, 2019 Frankfurt, Germany
Cowen's Networking & Cybersecurity Summit	December 10 to 11, 2019 New York, USA
2020 Needham Growth Conference	January 14 to 15, 2020 New York, USA
4th Hamburg Investor Day	February 4, 2020 Hamburg, Germany
Publication of Annual Report 2019	February 20, 2020 Martinsried/Munich, Germany

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements using words such as “believes”, “anticipates” and “expects” to describe expected revenues and earnings, anticipated demand for optical networking solutions, internal estimates and liquidity. These forward-looking statements are based on the beliefs of the management board and respective assumptions made, and involve a number of unknown risks, uncertainties and other factors, many of which are beyond ADVA’s control. If one or more of these uncertainties or risks materializes, or if the underlying assumptions of the management board prove incorrect, actual results can differ materially from those described in or inferred from forward-looking statements and information. Unknown risks and uncertainties are discussed in the “risk report” section of the group management report 2018.

GLOSSARY

Pro forma operating income is calculated prior to non-cash charges related to the stock compensation programs and amortization and impairment of goodwill and acquisition-related intangible assets. Additionally, non-recurring expenses related to restructuring measures are not included.

Net debt is calculated by subtracting cash and cash equivalents from total **financial debt** comprising of current and non-current financial liabilities and current and non-current lease liabilities.

Net Working capital is defined as trade accounts receivable plus inventories minus trade accounts payable.

The **Net Promoter Score** is obtained by asking customers a single question on a 0 to 10 rating scale: "How likely is it that you would recommend our company to a friend or colleague?" Based on their responses, customers are categorized into one of three groups: promoters (9-10 rating), passives (7-8 rating), and detractors (0-6 rating). The percentage of detractors is then subtracted from the percentage of promoters to obtain a Net Promoter Score.

The **leverage** shows the liabilities to banks in relation to the EBITDA of the last 12 months. EBITDA is calculated as if the accounting approach had been unchanged, i.e. without taking IFRS 16 into account. The leverage is thus determined explicitly without taking into account the accounting effects in accordance with IFRS 16.

The **return on capital employed** (ROCE) is the operating result for the current period divided by the capital employed. The **capital employed** is the difference between the average balance sheet total and the average current liabilities of the period, calculated as the arithmetic average of the quarterly balance sheet date values.

IMPRESSUM

Corporate headquarters

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ADVA on the web

More information about ADVA, including solutions, technologies and products, can be found on the company's website at www.adva.com.

PDF files of this quarterly report, as well as previous quarterly and annual reports, presentations and general investor information, are also located on the company's website and can be downloaded in both English and German. Quarterly conference calls are conducted on the day of earnings announcements. Related PDF, audio and transcript files are available for download in the investor relations section of the company's website, www.adva.com.

Investor communication

To receive an investor packet, request other information, ask specific questions, or be placed on the distribution list, please contact:

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