ADVA™

Quarterly statement 9M 2021

LETTER TO SHAREHOLDERS

Dear shareholders and business associates,

This nine-month announcement sees us once again publishing very good business results. In the third quarter, we fully met the goals we set ourselves and even exceeded them in some areas. Despite the ongoing crisis around the supply chain of semiconductor components, which in many ways worsened in recent months, we again sequentially increased our revenues in Q3 2021 and achieved an excellent level of EUR 151.8 million. I want to thank our entire team, especially our employees in purchasing, production and logistics, for making this excellent result possible despite all the challenges. The pro forma EBIT margin was 8.6% and thus also at a very good level. We increased our liquidity again by EUR 15.5 million to EUR 100.5 million and therefore increased net cash to EUR 20.6 million. This gives us a lot of financial leeway and positions us well in these unusual times.

Good demand, material shortages and innovation

The efforts of governments, authorities and companies worldwide to advance the digitization of ecosystems continue to create an innovative environment and a very high demand for optical networking technologies. Our order backlog is at a record level and demand for our products and solutions continues to develop positively.

We currently see risks for our business almost exclusively in maintaining a functioning supply chain. Recently, the material bottlenecks, especially for semiconductor products, have worsened. Just a few months ago, we assumed that the end of the third quarter of 2021 would be the preliminary peak of the crisis. But according to current assessments, we expect that the coming quarters will also be strongly influenced by the semiconductor crisis. This will demand a great deal of flexibility and creativity on our part.

On the other hand, our development projects are progressing well, and we are keeping to the schedule of our most important roadmap items. The semiconductor crisis, however, is also leaving its mark on product development. Our development teams regularly face the challenge of adapting the designs of individual products to more readily available components. Those teams are also making an important contribution to ensuring our short-, medium- and long-term delivery capacity.

Business transformation

We're also making good progress in implementing the strategic transformation of our business model that we announced in March. This strategy is essentially based on the following three pillars:

- Disproportionate growth in security-relevant networks outside the classic network operator infrastructure
- Increasing sales contributions from software and services
- New markets and cost optimization through verticalization

Our success in the research and education market, as well as the government sector, continued in the past quarter. On September 21, we announced that RedIRIS is using our network technology to create a robust, high-performance research and education network in Spain. The new nationwide infrastructure connects Spanish universities and research institutions across the country and enables teachers and scientists to share enormous amounts of data and use bandwidth-intensive applications.

For our software product Ensemble Connector, we're expanding our marketing activities for SmartWAN functionality. SmartWAN is an innovative alternative for the booming market for SD-WAN solutions.

And in the area of verticalization, we have made good progress in the past quarter with the further development of our optical transmitter and receiver modules, which we will be launching on the market in the coming year.

Business combination with ADTRAN

While ADVA is executing very well on its vision and business plan, we've recently taken a new step in the direction of strategic partnerships and alliances. On August 30, we announced our plans for a business combination with ADTRAN to create a global leader in scaled fiber optic communications technology. The merger combines ADTRAN's global leadership role in residential access solutions (fiber-to-the-home) and subscriber management with our global leadership position in solutions for data center interconnect, business access (Carrier Ethernet access and fiber-to-the-building), metro WDM, and network synchronization.

This merger creates a market and innovation leader who can optimally address the new requirements that are emerging around the edge of the network. In doing so, the transaction creates significant long-term value for all stakeholders in both companies, as it further enhances our ability to serve as a trusted supplier to customers around the world with a broader range of products. The combined company will offer a comprehensive product portfolio to provide homes, businesses and 5G infrastructure with scalable, secure and assured fiber optic connectivity paired with cloud-managed

Wi-Fi connectivity. We are in the early stages of an unprecedented investment cycle in fiber optic expansion, particularly in the US and Europe, driven by the goal of delivering high-speed connectivity to all homes, businesses and future 5G infrastructure. The combined company portfolio positions us better to participate as a market and innovation leader in this important investment cycle in fiber optic access networks and the expansion of data transmission in the so-called edge and metro environment.

Outlook

The macro environment for our industry continues to be very good on the demand side. In many regions of the world, investments in the digitization of ecosystems are increasing, and the expansion of fiber optic communication infrastructure is making unstoppable progress. When selecting suppliers and partners, network operators are now paying more attention to the country of origin of the technology they need, and the increasing security requirements in communication networks are having a long-term impact on the global competitive landscape. This deglobalization trend benefits us and strengthens our competitive position, especially in Europe and the USA. The only cause for concern is the continued supply crisis in the field of semiconductors. We are currently entering into long-term commitments with our suppliers and working closely with our partners and customers to ensure that business processes run as smoothly as possible.

Our balance sheet is strong, and our financial flexibility is growing. The pandemic and the semiconductor crisis will be with us well beyond the remainder of the financial year. However, we are confident that we will achieve our annual targets if demand continues to be strong and our ability to deliver can be maintained.

Our industry provides the basis for a digital future and the maintenance of communication and economic processes. Digitization is one of the most important topics in political and economic discussion. As an innovative manufacturer that enjoys the trust of a global and loyal customer base, we're well-positioned to harness emerging opportunities. We'll continue to tackle supply chain challenges and invest all our energy and creativity in innovative solutions for the benefit of our customers, shareholders and employees.

October 20, 2021

Brian Protiva

Chief executive officer

IFRS FINANCIAL HIGHLIGHTS 9M 2021

Income statement

(in thousands of EUR, except earnings per share and ratios)	Q3 2021	Q3 2020	Change	9M 2021	9M 2020	Change
Revenues	151,777	146,676	3%	445,604	424,386	5%
Pro forma operating income *)	13,012	11,053	18%	40,287	19,489	107%
Pro forma operating margin in %	8.6%	7.5%	1,1pp	9.0%	4.6%	4.4pp
Operating income	9,496	9,768	-3%	34,105	14,388	137%
Operating margin in %	6.3%	6.7%	-0,4pp	7.7%	3.4%	4.3pp
Net income	18,478	6,671	177%	41,707	7,065	490%
Diluted earnings per share in EUR	0.36	0.13	177%	0.81	0.14	479%

Cash flow statement

(in thousands of EUR)	Q3 2021	Q3 2020	Change	9M 2021	9M 2020	Change
Cash flow from operating activities	28,399	25,065	13%	87,527	74,181	18%
Cash flow from investing activities	-15,071	-13,859	9%	-44,526	-45,800	-3%

Balance sheet and financial ratios

(in thousands of EUR)	Sep. 30,2021	Dec. 31,2020	Change
Liabilities to banks	55,259	62,621	-12%
Lease liabilities according to IFRS	24,644	27,805	-11%
Financial debt	79,903	90,426	-12%
Cash and cash equivalents	100,513	64,881	55%
Net cash/(debt) *)	20,610	-25,545	181%
Leverage (twelve months rolling) *)	0,5x	0.7x	-29%
Net working capital *)	130,794	129,853	1%
Working capital ratio in % *)	22.0%	23.0%	1.0pp
Equity	315,325	263,218	20%
Equity ratio in %	56.7%	52.6%	4.1pp
Capital Employed *)	384.250	373,941	3%
ROCE in % *)	11.9%	7.3%	4.6pp

Employees

(at period end)	Jun. 30,2021	Dec. 31,2020	Change
	1,944	1,870	4%

*) The four key performance indicators as well as other ratios are defined in the glossary at the end of this document.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

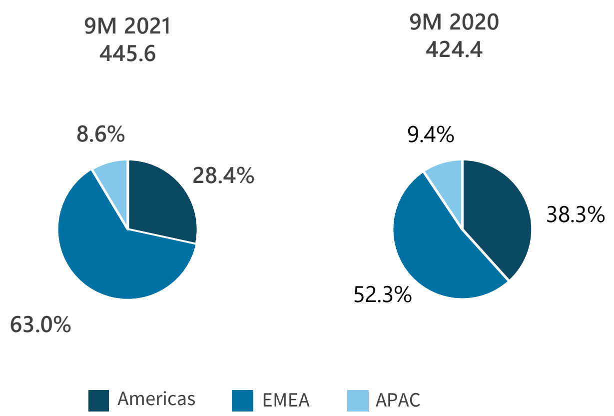
Business development and operational performance

Revenue development and revenues by region

Revenues represent one of the four key performance indicators for ADVA. The group's revenues in 9M 2021 amounted to EUR 445.6 million and were EUR 21.2 million or 5.0% above revenues of EUR 424.4 million in 9M 2020. Compared to revenues of EUR 149.4 million in Q2 2021, revenues in Q3 2021 increased slightly by 1.6% to EUR 151.8 million. When comparing Q3 2021 to the previous quarter, the increase in revenues is driven by a pickup in demand from communication service providers (CSPs) in the Americas and APAC.

In 9M 2021, EMEA (Europe, Middle East and Africa) was once again the most significant sales region, followed by the Americas and Asia-Pacific. Year-on-year, sales in EMEA increased significantly by 26.5% to EUR 280.7 million in 9M 2021 compared to EUR 221.9 million in 9M 2020. ADVA is traditionally very strong in Europe with a broad network of partners, with results driven by a loyal customer base.

Revenues in the Americas decreased year-on-year by 22.1% from EUR 162.6 million in 9M 2020 to EUR 126.6 million in 9M 2021, caused by temporary softness with a few customers in the first half year of 2021. In the Asia-Pacific region, sales also slightly declined in 9M 2021 to EUR 38.3 million from EUR 39.9 million in 9M 2020. The region is typically predominated by project-based business, leading to greater fluctuations in individual quarters. APAC revenues for Q3 increased substantially when compared to the previous quarter.



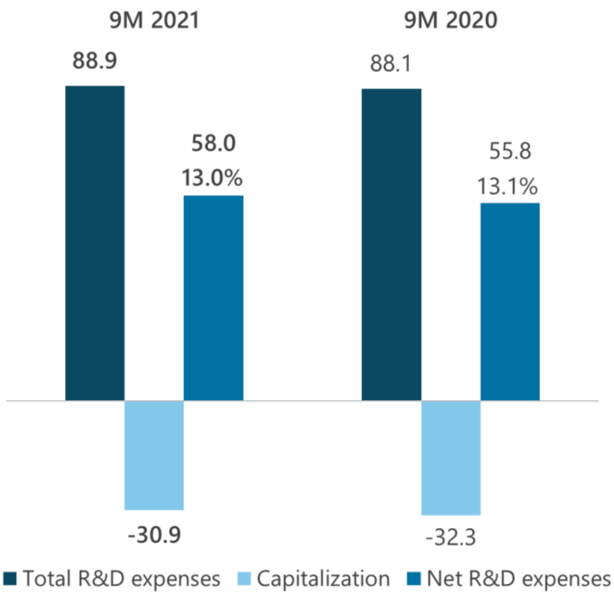
Results of operations

(in millions of EUR, except earnings per share)	9M 2021	Portion of revenues	9M 2020	Portion of revenues
Revenues	**445.6**	**100.0%**	**424.4**	**100.0%**
Cost of goods sold	-282.5	63.4%	-281.9	66.4%
Gross profit	**163.1**	**36.6%**	**142.5**	**33.6%**
Selling and marketing expenses	-46.4	10.4%	-46.8	11.0%
General and administrative expenses	-27.7	6.2%	-26.7	6.3%
Research and development expenses	-58.0	13.0%	-55.8	13.1%
Other operating income and expenses, net	3.1	0.7%	1.2	0.3%
Operating income	**34.1**	**7.6%**	**14.4**	**3.4%**
Interest income and expenses, net	-1.3	0.3%	-2.0	0.5%
Currency translation gains and losses, net	1.2	0.3%	-1.7	0.4%
Income before tax	**34.0**	**7.6%**	**10.7**	**2.5%**
Income tax benefit (expense), net	7.7	1.7%	-3.6	0.8%
Net income	**41.7**	**9.3%**	**7.1**	**1.7%**
Earnings per share in EUR				
basic	0.82		0.14	
diluted	0.81		0.14	

Gross margins improved substantially to 36.6% in 9M 2021 after 33.6% in 9M 2020 as cost of goods sold increased disproportionately in relation to revenue by only EUR 0.6 million to EUR 282.5 million in 9M 2021. The improvement of gross margin in 9M 2021 compared to 9M 2020 mainly results from a change in the customer and product mix. In 9M 2021, cost of goods sold included EUR 32.0 million (9M 2020: EUR 27.6 million) of amortization of capitalized development projects.

Within operating costs, selling and marketing expenses in 9M 2021 of EUR 46.4 million were slightly below the prior-year number of EUR 46.8 million. They amounted to 10.4% and 11.0% of revenues, respectively.

General and administrative expenses of EUR 27.7 million in 9M 2021 slightly increased from EUR 26.7 million in 9M 2020 and amounted to 6.2% and 6.3% of revenues, respectively.



At EUR 58.0 million in 9M 2021, R&D expenses were up compared to the EUR 55.8 million seen in 9M 2020, comprising 13.0 and 13.1% of revenues, respectively. Gross expenses of EUR 88.9 million in 9M 2021 were slightly up compared to EUR 88.1 million in 9M 2020. At the same time, income from capitalization of development costs decreased from EUR 32.3 million in 9M 2020 to EUR 30.9 million in

9M 2021. The capitalization rate in 9M 2021 amounted to 34.8%, down from 36.7% reported in 9M 2020.

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 existing network structures and supplement existing solutions.

ADVA's operating income increased significantly by EUR 19.7 million to EUR 34.1 million in 9M 2021, mainly driven by an increase in gross profit with operating costs only slightly increased. Operating costs amount to EUR 129.0 million or 29.0% of revenues in the current period after EUR 128.1 million or 30.2% of revenues in 9M 2020.

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 expenses related to M&A and 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 2021, ADVA reported a pro forma operating income of EUR 40.3 million after EUR 19.5 million in 9M 2020, representing 9.0% and 4.6% of revenues, respectively.

The reconciliation of operating income to pro forma operating income is as follows:

(in millions of EUR)	**9M 2021**	**9M 2020**
Operating income	**34.1**	**14.4**
Expenses related to share-based compensation	1.1	0.9
Amortization of intangible assets from business combinations	3.0	3.4
Expenses related to M&A transactions and restructuring expenses	2.1	0.8
Pro forma operating income	**40.3**	**19.5**

Beyond the operating result net income incorporates net interest expenses of EUR 1.3 million (9M 2020: EUR 2.0 million), in which interest effects from lease accounting according to IFRS 16 of EUR 0.6 million (9M 2020: EUR 0.7 million) are included. Furthermore, net financial gains of EUR 1.2 million (9M 2020: net financial losses of EUR 1.7 million) relating to the revaluation of foreign currency assets and liabilities and the result on hedging instruments, impacted the net income in 9M 2021.

In 9M 2021, the group reported an income tax benefit of EUR 7.7 million after an income tax expense of EUR 3.6 million in 9M 2020. 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. Furthermore, the deferred tax asset on tax loss carry-forwards of ADVA SE was increased respectively due to the likely discontinuation of ADVA SE’s history of losses and positive forecast. This results mainly in an increase of tax benefit to EUR 7.7 million.

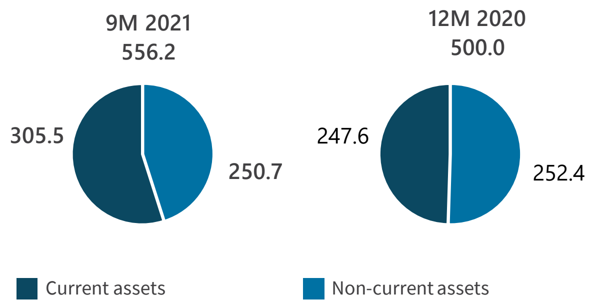
Summary: Business development and operational performance

In 9M 2021, ADVA recorded a year-on-year increase in revenues with a simultaneous improvement in gross margin. In particular, due to the significant tax benefit as well as the exceptionally positive operating income development, which is attributable to the improved gross profit with only a slight increase in operating costs, ADVA reports a significantly increased net income of EUR 45.9 million in the current period compared to a net income of EUR 7.1 million in 9M 2020.

Net assets and financial position

Balance sheet structure

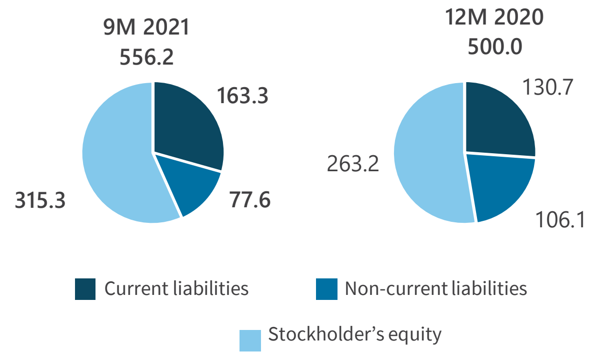
ADVA's total assets increased by EUR 56.2 million from EUR 500.0 million at the end of 2020 to EUR 556.2 million at the end of September 2021.



At EUR 305.5 million at the end of 9M 2021, current assets were EUR 57.9 million higher than the corresponding figure of EUR 247.6 million at the end of 2020, accounting for 54.6% and 49.5% of the balance sheet total, respectively, at these reporting dates. The increase in current assets was mainly driven by the significant increase in cash and cash equivalents from EUR 64.9 million at the end of 2020 to EUR 100.5 million at the end of September 2021. In addition, inventories increased from EUR 90.1 million at December 31, 2020 to EUR 100.8 million at the end of 9M 2021. Inventory turnover in 9M 2021 remained constant at 3.9x compared to 12M 2020. Trade accounts receivable increased by EUR 5.9 million to EUR 89.7 million. DSOs decreased from 58 days in 12M 2020 to 55 days in 9M 2021. The increase in trade receivables and inventories results from higher sales and a positive development of order intake. Furthermore inventories increased as a results from advance procurement of materials due to expected delivery difficulties for semiconductors Other current assets and prepayments increased by EUR 1.9 million and EUR 2.9 million, respectively.

Non-current assets slightly decreased to EUR 250.7 million at the end of 9M 2021 from EUR 252.4 million at year-end 2020.

Meaningful additional assets belonging to ADVA are the broad and global customer base of several hundred service providers and thousands of enterprises, the ADVA, Oscilloquartz and Ensemble brands, the vendor and partner relationships and a highly motivated and skilled global team. These assets are not recognized in the balance sheet. Customer satisfaction as measured by the net promoter score represents one of the group's four key performance indicators. Further information on the development of the Net Promoter Score is presented in the Annual Report 2020.



On the equity and liabilities side, current liabilities increased by EUR 32.6 million from EUR 130.7 million on December 31, 2020 to EUR 163.3 million on September 30, 2021. At EUR 59.7 million, trade payables were significantly above the EUR 44.2 million reported at the end of December 2020. In 9M 2021, days payables outstanding were at 53 days compared to 55 days in 12M 2020. The increase in trade payables was mainly due to the termination of material purchases in connection with the positive development of order intake as well as the advance procurement of materials due to expected delivery difficulties for semiconductors. Current liabilities to banks increased to EUR 25.4 million due to the reclassification of a loan of EUR 10.0 million due for repayment in the 3rd quarter of 2022. Other current liabilities decreased by EUR 10.4 million in particular due to the payment of variable compensation components for 2020 in 9M 2021. At the same time, current provisions increased by EUR 12.3 million in the current period, as employees' variable compensation entitlement for 2021 has been included on a pro rata basis. Current contract liabilities amounted to EUR 22.1 million at September 30, 2021, compared to EUR 16.4 million at year-end 2020.

At EUR 77.6 million at the end of 9M 2021, non-current liabilities strongly declined from the EUR 106.1 million reported at the end of 2020. Non-current lease liabilities amounted to EUR 18.7 million at the end of 9M 2021 compared to EUR 22.0 million reported at year-end 2020. Non-current liabilities to banks fell by EUR 17.3 million due to scheduled repayments and the reclassification of a loan due in the 3rd quarter of 2022 to current liabilities. At the same time, deferred tax liabilities amounted to EUR 5.7 million significantly below the EUR 13.5 million reported at

December 31, 2020. This effect results from offsetting of deferred tax liability against deferred tax asset build with regard to the tax loss carry-forwards of ADVA SE.

Stockholders' equity significantly increased from EUR 263.2 million reported on December 31, 2020, to EUR 315.3 million on September 30, 2021. This increase is mainly due to the net income. The equity ratio was at 56.7% on September 30, 2021, after 52.6% on December 31, 2020. The non-current assets ratio amounted to 125.8% and 104.3%, respectively with stockholders' equity thus fully covering the non-current assets.

Capital expenditures

Capital expenditures for additions to property, plant and equipment in 9M 2021 amounted to EUR 9.9 million, above the EUR 9.0 million seen in 9M 2020.

Capital expenditures for intangible assets of EUR 34.6million in 9M 2021 were down from EUR 36.8 million in 9M 2020. This total mainly consists of capitalized development projects of EUR 30.9 million in 9M 2021 after EUR 32.3 million in 9M 2020 and capital expenditures for other intangible assets of EUR 3.7 million in 9M 2021 after EUR 4.5 million in 9M 2020.

Cash flow

Cash flow from operating activities was positive EUR 87.5 million in 9M 2021, after positive EUR 74.2 million in 9M 2020, The positive cash flow from operating activities in both comparative periods resulted mainly from earnings before taxes and non-cash depreciation charges. The increase in 9M 2021 results in particular from the significantly improved earnings before taxes. In 9M 2021 there was a slight outflow from changes in net working capital, while in the prior-year period there was an inflow from changes in net working capital.

Cash flow from investing activities amounted to negative EUR 44.5 million in 9M 2021 after negative EUR 45.8 million in 9M 2020. The slightly decreased use of funds for investing activities is largely due to lower investment intangible assets.

Finally, net cash outflows of EUR 7.7 million were reported from financing activities in 9M 2021, after cash outflows of EUR 13.7 million from financing activities in 9M 2020. In 9M 2021, the cash outflow results from scheduled interest payments and repayments for existing bank loans and lease liabilities. This outflow was partly offset by the inflow from capital increases through the exercise of stock options. The cash outflow in 9M 2020 also resulted from scheduled repayments for existing liabilities, the total amount of which was higher in 2020. At the same time, the partial utilization of a credit line in the amount of EUR 5.0 million to secure liquidity during the Covid-19 crisis resulted in a cash inflow.

Overall, including the net effect of foreign currency translation of positive EUR 0.4 million in 9M 2021, cash and cash equivalents significantly increased by EUR 35.6 million, from EUR 64.9 million at the end of December 2020 to EUR 100.5 million on September 30, 2021. In 9M 2020, cash and cash equivalents increased by EUR 14.0 million.

With the exception of local foreign exchange regulations for cash and cash equivalents in China in the amount of EUR 1.9 million, there are no significant restrictions on disposal at the end of the quarter.

Financing and liquidity

ADVA’s financial management is performed centrally by ADVA Optical Networking 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 useful life of the assets being financed. For any liability taken, ADVA is focused on minimizing related interest cost, as long as access to funds is not at risk. Excess funds are generally used to redeem liabilities.

Financial debt of EUR 79.9 million at September 30, 2021 is EUR 10.5 million lower than at December 31, 2020.

On September 30, 2021, the group had not used the available committed borrowing facilities of EUR 10.0 million (on December 31, 2020: unused committed borrowing facilities amounted to EUR 50.0 million).

Net cash represents one of the four key performance indicators for ADVA. Mainly due to the increase cash and cash equivalents explained in the previous paragraph ADVA’s with a simultaneous decrease in financial debt, ADVA reports a net cash of EUR 20.6 million at the end of September 2021 after a net debt of EUR 25.5 million at 2020 year-end. Cash and cash equivalents on September 30, 2021, and on December 31, 2020 were invested mainly in EUR, USD and GBP.

Return on capital employed in 9M 2021 was at positive 11.9%, significantly up from positive 5.1% reported in 9M 2020. This development is mainly due to the increased operating result in 9M 2021.

Summary: Net assets and financial position

ADVA's net assets and financial position improved in 9M 2021 compared to 9M 2020 in particular due to increased cash and cash equivalents. The Group reports a net cash of EUR 20.6 million at the end of September 2021. Current liabilities are fully covered by cash and cash equivalents and outstanding trade receivables at the end of 9M 2021.

OUTLOOK

Despite the global semiconductor crisis, ADVA reported very good results for the past third quarter. Revenues of EUR 151.8 million increased both sequentially and compared to the year-ago quarter. Pro forma EBIT was again strong with 8.6% of revenues. Cash and cash equivalents increased to EUR 100.5 million; consequently, net cash increased to EUR 20.6 million.

Nevertheless, the current bottlenecks in the supply chains determine the day-to-day business. The management now estimates the duration of this crisis to be significantly longer than assumed and believes that further supply bottlenecks cannot be ruled out. Despite this, the order backlog is still at a record level and the demand for ADVA’s products and solutions is good.

The company is also making good progress in executing the business transformation strategy. This strategy is based on three pillars:

- Disproportionate growth in security-relevant networks outside the classic network operator infrastructure
- Increasing revenue contributions from software and services
- New markets and cost optimization through verticalization activities

In combination with strict cost control, these cornerstones are the basis for a sustained high level of margins.

The network expansion continues and the demand for ADVA’s products and services across all technology areas is very high. In addition to the steadily growing security requirements in communication networks, the importance of the country of origin in the choice of technology plays an increasingly important role for many network operators. This trend strengthens ADVA’s competitive position as the only remaining specialist in optical transmission technology with a focus on edge and metro networks, as well as a matured synchronization portfolio in Europe.

Despite the excellent numbers for the nine-month reporting period, the bottlenecks in the supply of semiconductors still pose a major threat to the stability of the supply chain and may lead to revenue shifts. As such, the management confirms the revenue guidance of EUR 580 million and EUR 610 million and a pro forma operating income of between 7% and 10% of revenues.

ADVA will continue to invest selectively in product development, technology and sales-increasing measures, and pursue consistent cost management. Since the duration and economic implications of the pandemic cannot be foreseen, the specific effects on revenues and earnings for the 2021 financial year cannot be reliably predicted. The group’s main risks are explained in the “Risk and opportunities report” section of the 2020 annual report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF SEPTEMBER 30, 2021 (UNAUDITED)

(in thousands of EUR)	Sep. 30, 2021	Dec. 31, 2020
Assets		
Current assets		
Cash and cash equivalents	100,513	64,881
Trade accounts receivable	89,734	83,880
Contract assets	178	442
Inventories	100,813	90,124
Tax assets	1,562	390
Other current assets	12,678	7,858
Total current assets	**305,478**	**247,575**
Non-current assets		
Right-of-use assets	22,002	25,386
Property, plant and equipment	30,765	31,235
Goodwill	69,855	67,036
Capitalized development projects	97,531	98,607
Intangible assets acquired in business combinations	12,674	15,004
Other intangible assets	7,011	5,302
Deferred tax asset	7,533	7,233
Other non-current assets	3,327	2,594
Total non-current assets	**250,698**	**252,397**
Total assets	**556,176**	**499,972**

(in thousands of EUR)	Sep. 30, 2021	Dec. 31, 2020
Equity and liabilities		
Current liabilities		
Current lease liabilities	5,994	5,807
Current liabilities to banks	25,406	15,492
Trade accounts payable	59,753	44,151
Current provisions	26,669	14,407
Tax liabilities	1,351	1,808
Current contract liabilities	22,088	16,377
Refund liabilities	550	633
Other current liabilities	21,517	31,963
Total current liabilities	**163,328**	**130,638**
Non-current liabilities		
Non-current lease liabilities	18,650	21,998
Non-current liabilities to banks	29,853	47,129
Provisions for pensions and similar employee benefits	9,494	8,545
Other non-current provisions	1,873	1,558
Deferred tax liabilities	5,682	13,522
Non-current contract liabilities	9,856	10,551
Other non-current liabilities	2,115	2,813
Total non-current liabilities	**77,523**	**106,116**
Total liabilities	**240,851**	**236,754**
Stockholders' equity entitled to the owners of the parent company		
Share capital	51,098	50,497
Capital reserve	325,746	320,715
Accumulated deficit	-94,334	-114,648
Net income	41,707	20,314
Accumulated other comprehensive income	-8,892	-13,660
Total stockholders' equity	**315,325**	**263,218**
Total equity and liabilities	**556,176**	**499,972**

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2021 (UNAUDITED)

(in thousands of EUR, except earnings per share and number of shares)	Q3 2021	Q3 2020	9M 2021	9M 2020
Revenues	**151,777**	**146,676**	**445,604**	**424,386**
Cost of goods sold	-100,205	-95,311	-282,533	-281,931
Gross profit	**51,572**	**51,365**	**163,071**	**142,455**
Selling and marketing expenses	-14,925	-14,603	-46,460	-46,797
Thereof net impairment results on financial assets	*-82*	*146*	*-160*	*1,240*
General and administrative expenses	-9,994	-9,697	-27,685	-26,741
Research and development expenses	-18,804	-18,131	-57,964	-55,777
Other operating income	1,664	850	3,838	2,739
Other operating expenses	-17	-16	-695	-1,491
Operating income	**9,496**	**9,768**	**34,105**	**14,388**
Interest income	4	4	93	38
Interest expenses	-469	-880	-1,445	-2,044
Foreign currency exchange gains	2,727	2,225	8,232	6,673
Foreign currency exchange losses	-2,093	-3,381	-7,011	-8,390
Income before tax	**9,665**	**7,736**	**33,974**	**10,665**
Income tax (expense) benefit, net	8,813	-1,065	7,733	-3,600
Net income entitled to the owners of the parent company	**18,478**	**6,671**	**41,707**	**7,065**
Earnings per share in EUR				
basic	0.36	0.13	0.82	0.14
diluted	0.36	0.13	0.81	0.14
Weighted average number of shares for calculation of earnings per share				
basic	50,942,656	50,295,550	50,665,282	50,220,520
diluted	51,913,094	50,539,415	51,635,720	50,464,385

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(in thousands of EUR)	Q3 2021	Q3 2020	9M 2021	9M 2020
Cash flow from operating activities				
Income before tax	9,665	7,736	33,974	10,665
Adjustments to reconcile income before tax to net cash provided by operating activities				
Non-cash adjustments				
Amortization of non-current assets	17,494	15,569	52,126	48,307
Loss from disposal of property, plant and equipment and intangible assets	173	-340	263	71
Stock compensation expenses	428	262	1,093	939
Other non-cash expenses	370	240	1,170	751
Foreign currency exchange differences	-1,120	256	-757	-1,747
Changes in assets and liabilities				
Decrease (increase) in trade accounts receivable	5,437	4,477	-5,590	8,017
Decrease (increase) in inventories	-3,074	-269	-10,689	12,402
Decrease (increase) in other assets	-1,256	371	-5,557	2,646
Increase (decrease) in trade accounts payable	-327	-358	15,602	-16,245
Increase (decrease) in provisions	1,030	175	12,410	11,411
Increase (decrease) in other liabilities	-107	-1,974	-4,876	-1,301
Income tax paid	-314	-1,080	-1,642	-1,735
Net cash provided by operating activities	**28,399**	**25,065**	**87,527**	**74,181**
Cash flow from investing activities				
Investments in property, plant and equipment	-3,867	-3,185	-9,888	-9,038
Investments in intangible assets	-11,174	-10,674	-34,642	-36,796
Interest received	-30	0	4	34
Net cash used for investing activities	**-15,071**	**-13,859**	**-44,526**	**-45,800**
Cash flow from financing activities				
Proceeds from capital increase and exercise of stock options	3,817	667	4,615	692
Repayment of lease liabilities	-1,645	-1,686	-3,528	-5,180
Proceeds from liabilities to banks	-	-5,000	-	5,000
Cash repayment of liabilities to banks	-	-3,125	-7,500	-12,375
Interest paid	-412	-662	-1,335	-1,823
Net cash used in financing activities	**1,760**	**-9,806**	**-7,748**	**-13,686**
Net effect of foreign currency translation on cash and cash equivalents	402	-693	379	-665
Net change in cash and cash equivalents	**15,490**	**707**	**35,632**	**14,030**
Cash and cash equivalents at the beginning of the period	85,023	67,586	64,881	54,263
Cash and cash equivalents at the end of the period	**100,513**	**68,293**	**100,513**	**68,293**

FINANCIAL CALENDAR

Annual Needham Virtual Security, Networking, & Communications Conference	November 16, 2021 virtual conference
M. M. Warburg Meet-the Future conference	November 18-19, 2021 Berlin, Germany
Deutsches Eigenkapitalforum 2021	November 20-24, 2021 virtual conference
Capital market conference Family Office Day	December 1, 2021 Vienna, Austria
2022 Needham Growth Conference	January 10-14, 2022 virtual conference
21st German Corporate Conference	January 17, 2022 Virtual conference
Publication of Annual Report 2021	February 24, 2022 Martinsried/ Munich, Germany
Some dates may be affected by restrictions put in place in response to Covid-19, and thus can not be guaranteed.	

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 materialize, 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. The global semi-conductor crisis is impacting ADVA’s supply chain: supply lead times have strongly increased and despite of many mitigating activities ADVA’s lead times towards customers are increasing as well. Although potential future supply shortages are systematically identified, analyzed and pro-actively managed by supply chain management, the risk remains that ADVA may not be able to deliver all customers within satisfying time. With the spread of existing and new variants of Covid-19, new waves of infection breakouts are expected and the risk of sustaining the supply chain continues. There are three scenarios that can lead into an inability to supply: the possible closure of one of our production and / or distribution sites due to an occurring virus infection, a supply chain constraint with one or more of our contract manufacturers, or a governmental ordered lockdown within our important production sites. The risks and uncertainties as reported in the "risk and opportunity report" section of the Group Management Report 2020 remain unchanged.

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, expenses related to M&A transactions and restructuring measures are not included.

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

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 considering the accounting effects in accordance with IFRS 16.

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

The **working capital ratio** shows net working capital on the balance sheet date in relation to the revenues of the current period.

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 **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.

DPO (days payable outstanding) indicates the average number of days between receipt of invoice and outgoing payment.

DSO (days sales outstanding) describes the average number of days between invoicing and receipt of payment.

IMPRESSUM

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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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