Quaterly statement
3M 2022

Open edge networking

Letter to the shareholders

Dear shareholders and business associates

The latest developments in Ukraine make it difficult for me to report on our first quarter in a purely objective manner. After decades of peaceful coexistence, the outbreak of a military conflict in eastern Europe is an inconceivable event that shocks me, and the human suffering involved shakes me to the core. Our thoughts are with all Ukrainians and the innocent people affected by territorial aggression. We support the sanctions of the liberal democratic world and have stopped our deliveries to Russia. Our involvement there generated less than one percent of our sales and there was no significant activity on the part of our suppliers in the region.

A very good start

Despite dramatic global political developments, we had a very good first quarter as a company. Never before have we posted higher revenues in the first quarter of a fiscal year, and never before have we had a higher order backlog. Demand from our customers remains at record levels and has continued to grow in Q1 2022. Digitalization and modernization of communication infrastructure are the major growth drivers in our industry. Reinforced by the megatrend of deglobalization as well as increased security awareness on the part of network operators, these drivers are creating an excellent order situation. High-performance network infrastructure is the key to ensuring that large parts of the global economy can continue to function even under the current difficult conditions.

Supply shortages, inflation and seasonality

Unfortunately, while demand remains at record levels, we still see significant bottlenecks in supply chains. Shortages and insufficient availability of various components, especially from the semiconductor technology sector, as well as price increases from some suppliers, are having a negative impact on our business development. We do not expect this issue to improve significantly in the remainder of the fiscal year. This will lead to higher costs and longer delivery times. In addition, we are experiencing the effects of higher energy prices on transportation costs, and the strengthening of the US dollar against the euro is also putting pressure on our margins. These external factors are overlaid by the usual seasonality in ADVA's fiscal year. In spite of these factors, however, we are very satisfied to have achieved a pro forma EBIT of 4.6% of revenues.

Business transformation

As already described in the previous quarters, we have been in the process of transforming our business model for more than a year. In the current very positive macroeconomic environment, we are naturally growing with the market and the success of our customers. Moreover, we have defined three strategic goals that will lead us to sustainably higher margins. These are:

Increased growth in software and services

Software and services have always been an integral part of our solution portfolio. By 2019, we were able to increase the share of software and services to around 20% of our sales. In 2020, the contribution increased further to 23% and reached 25% in 2021. Software and services have a high attachment rate with our customers and will continue to benefit our margins. We aim to increase the share of sales from software and services to 30% by the end of 2023.

New markets with a high degree of differentiation

Our investments in new technologies give us access to new markets in which we can operate in a highly differentiated and thus profitable manner with growth rates above our corporate average. More and more industries require a secure network infrastructure – in the best case a private network – and our successes, especially with state and federal government projects, are proof that we are an excellent partner for these solutions. We expect the revenue contribution from customer segments outside the traditional network provider business to grow to over 40 % by the end of 2023.

Verticalization

While our open products and solutions work well with technologies and systems from other manufacturers, we have been investing for some time in the in-house development of optoelectronic components and subsystems, which either secure additional differentiation on the product side and thus an increase in competitiveness, or decisively improve the cost basis of our own solutions. Our activities in the area of photonic integration are already delivering promising sales contributions, and order intake is very good. In the past quarter, we again expanded our MicroMux product family and launched the MicroMux Edge BiDi module, a highly integrated multiplex solution that offers interesting added value in the rollout of 5G mobile networks. With these activities in photonic integration, we are sustainably improving our cost base and accessing new markets. Revenue contribution of these components is expected to grow to 15 % by 2025.

Merger with Adtran

Finally, I would like to briefly discuss the planned merger with Adtran. On August 30, 2021, together with Adtran we announced our intention to create a global market leader for scalable communications technology with a focus on the so-called network edge. The business transaction combines Adtran's global leadership in residential fiber access (fiber-to-the-home) and local loop solutions with our global leadership in data center interconnect solutions for large enterprises, business connectivity (business Ethernet or fiber-to-the-building), metro WDM, and network synchronization. Together we are well prepared to address new requirements, especially with regard to the convergence of network solutions at the network edge. The merger will create significant long-term value for all stakeholders of both companies by further enhancing our ability to serve as a trusted supplier to customers worldwide with a broader product offering. In the meantime, the majority of the shareholders of both companies have approved the transaction and we are currently working with the German authorities on open issues regarding Foreign Trade Regulation. We are confident that we will obtain the necessary approvals.

Outlook

Our revenues in the first quarter were at record levels, and although some external and seasonal factors led to reduced margins, operating profit was also very satisfactory. The very positive macro scenario on the demand side contrasts with continued high levels of complexity with additional costs in procurement, production and logistics. So far, we have handled the challenges very well. Thanks to the creativity and flexibility of our teams, we have maintained our delivery capability at a good level and successfully managed delivery times in close dialog with our customers.

The digitization of ecosystems and the expansion of communications networks is progressing rapidly and is being fueled and supported by public funding programs in many regions and countries. This environment should continue to have a very positive impact on demand for our products for the foreseeable future. Investments in innovation in recent years have provided us with an outstanding, differentiated portfolio of solutions with which we will gain market share. The transformation of our business towards growth markets with a higher proportion of software and services and more verticalization is progressing well. In addition, the merger with Adtran will open up completely new opportunities for us in the USA, Europe and further global market.

We hope for an early return of peace and global understanding. Despite all the geopolitical turbulence and the remaining uncertainties from the Covid-19 pandemic we are optimistic about the future and will continue to invest all our energy and creativity in innovative solutions for the benefit of our customers, shareholders and employees.

26. April 2022

Brian Protiva

Chief executive officer

IFRS financial highlights Q1 2022

Income statement

(in thousands of EUR, except earnings per share and ratios)	Q1 2022	Q1 2021	Change
Revenues	170,498	144,473	18 %
Pro forma EBIT *)	7,812	12,860	(39)%
Pro forma EBIT margin in %	4.6	8.9	(4.3) pp
Operating income (loss)	5,976	11,573	(48)%
Operating margin in %	3.5	8.0	(4.5) pp
Net income (loss)	6,179	11,228	(45)%
Diluted earnings per share in EUR	0.12	0.22	(45)%

Cash flow statement

(in thousands of EUR)	Q1 2022	Q1 2021	Change
Cash flow from operating activities	(12,723)	27,444	(146)%
Cash flow from investing activities	(22,039)	(12,328)	79 %

Balance sheet and financial ratios

(in thousands of EUR, except ratios)	Mar. 31, 2021	Dec. 31, 2021	Change
Liabilities to banks	47,829	47,807	— %
Lease liabilities	24,410	25,014	(2)%
Financial debt	**72,239**	**72,821**	**(1)%**
Cash and cash equivalents	73,002	108,987	(33)%
Net cash (debt) *)	**763**	**36,166**	**(98)%**
Leverage *)	0.5 x	0.4 x	25 %
Net working capital *)	164,402	128,954	27 %
Working capital ratio in % *)	23.8	21.4	2.4 pp
Equity	347,866	339,912	2 %
Equity ratio in %	58.9	56.5	2.4 pp
Capital employed *)	397,746	388,598	2 %
ROCE in % *)	10.0	11.7	(1.7) pp

Employees

(at period end)	Mar. 31, 2021	Dec. 31, 2021	Change
	1,978	1,973	— %

*) 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

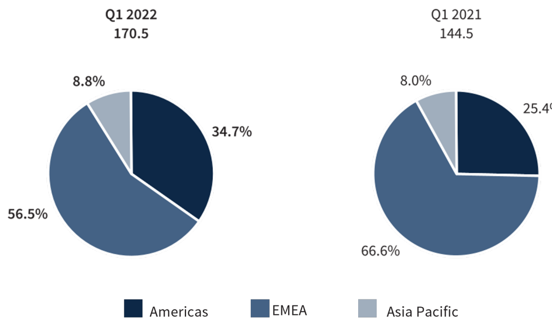
Revenues represent one of the four key performance indicators for ADVA. The group's revenues in Q1 2022 amounted to EUR 170.5 million and were EUR 26.0 million or 18.0 % above revenues of EUR 144.5 million in Q1 2021. Compared to revenues of EUR 157.7 million in Q4 2021, revenues in Q1 2022 increased by 8.1 %. The increase in revenues compared to Q1 2021 as well as the previous quarter was attributable to significantly higher revenue from both network operators and ICPs.

In Q1 2022, EMEA (Europe, the Middle East and Africa) was once again the largest contributing sales region, followed by Americas and Asia-Pacific.

Year-on-year, sales in EMEA slightly increased to EUR 96.4 million in Q1 2022 compared to EUR 96.2 million in Q1 2021 and represented 56.5% of total revenues in Q1 2022 after 66.6 % in the prior-year quarter. ADVA has a broad, loyal customer base in many countries throughout this region and is achieving very good results. Demand was seen across all customer groups.

Revenues in Americas significantly increased by 61.3% from EUR 36.7 million in Q1 2021 to EUR 59.2 million in Q1 2022. The large increase compared to the prior-year quarter is particularly due to strong demand from network operators and the appreciation of the US dollar against the euro.

In Asia-Pacific, revenue also increased by 29.3% from EUR 11.6 million in Q1 2021 to EUR 15.0 million in Q1 2022. Demand was primarily driven by network operators and enterprise customers.



Results of operations

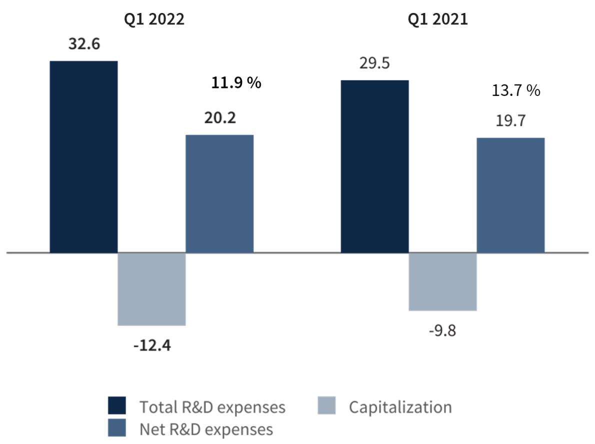
(in millions of EUR, except earnings per share)	Q1 2022	Portion of revenues	Q1 2021	Portion of revenues
Revenues	**170.5**	**100.0 %**	**144.5**	**100.0 %**
Cost of goods sold	(117.6)	69.0 %	(89.7)	62.1 %
Gross profit	**52.9**	**31.0 %**	**54.8**	**37.9 %**
Selling and marketing expenses	(18.2)	10.7 %	(15.7)	10.8 %
General and administrative expenses	(9.9)	5.8 %	(8.5)	5.9 %
Research and development expenses	(20.2)	11.9 %	(19.7)	13.7 %
Other operating income and expense, net	1.4	0.8 %	0.7	0.5 %
Operating income (loss)	**6.0**	**3.5 %**	**11.6**	**8.0 %**
Interset income and expenses, net	(0.3)	0.2 %	(0.4)	0.2 %
Financial gains and losses, net	1.1	0.7 %	0.7	0.5 %
Income (loss) before tax	**6.8**	**4.0 %**	**11.9**	**8.3 %**
Income tax benefit (expense), net	(0.6)	0.4 %	(0.7)	0.5 %
Net income (loss)	**6.2**	**3.6 %**	**11.2**	**7.8 %**
Earnings per share in EUR				
basic	0.12		0.22	
diluted	0.12		0.22	

Cost of goods sold significantly increased by EUR 27.9 million to EUR 117.6 million in Q1 2022. In Q1 2022, cost of goods sold included EUR 11.2 million (Q1 2021: EUR 10.4 million) of amortization of capitalized development projects.

Gross profit decreased from EUR 54.8 million in Q1 2021 to EUR 52.9 million in Q1 2022, with gross margin at 31.0 % in Q1 2022 also clearly below the 37.9 % reported in Q1 2021. The decrease in the gross margin in Q1 2022 compared to Q1 2021 in particular results from increased material costs in connection with the currently existing supply bottlenecks, especially in the semiconductor industry.

Within operating costs, sales and marketing expenses in Q1 2022 of EUR 18.2 million were above the prior-year number of EUR 15.7 million in Q1 2021. They amounted to 10.7 % and 10.8 % of revenues. The absolute increase results in particular from higher personnel expenses due to the positive development in order intake.

General and administrative expenses of EUR 9.9 million in Q1 2022 increased compared to EUR 8.5 million in Q1 2021 and amounted to 5.8 % and 5.9 % of revenues, respectively.



At EUR 20.2 million in Q1 2022, R&D expenses were slightly above the EUR 19.7 million seen in Q1 2021, comprising 11.9 % and 13.7 % of revenues, respectively. Gross R&D expenses increased to EUR 32.6 million in Q1 2022 compared to EUR 29.5 million reported in Q1 2021, and income from capitalization of development expenses increased strongly from EUR 9.8 million in Q1 2021 to EUR 12.4 million in Q1 2022. The capitalization rate in Q1 2022 amounted to 38.0 %, clearly up from 33.3 % reported in Q1 2021.

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 decreased significantly from EUR 11.6 million in Q1 2021 to EUR 6.0 million in Q1 2022. In the current quarter, the increase in revenues was offset in particular by a substantial rise in the cost of goods sold.

Pro forma EBIT represents one of the four key performance indicators for ADVA. As pro forma EBIT excludes non-cash charges related to stock compensation and business combinations as well as non-recurring expenses related to M&A transactions and restructuring measures. The management board of ADVA believes that pro forma EBIT is a more appropriate measure than operating income when benchmarking the group's operational performance against other telecommunications equipment providers. In Q1 2022, ADVA reported a pro forma EBIT of EUR 7.8 million after a pro forma EBIT of EUR 12.9 million in Q1 2021, representing positive 4.6 % after positive 8.9 % of revenues, respectively.

The reconciliation of operating income (loss) to pro forma EBIT is as follows:

(in millions of EUR)	Q1 2022	Q1 2021
Operating income (loss)	**6.0**	**11.6**
Expenses related to share-based compensation	0.4	0.3
Amortization of intangible assets from business combinations	0.9	1.0
Expenses related to M&A transactions and restructuring measures	0.5	—
Pro forma EBIT	**7.8**	**12.9**

Beyond the operating result net income in Q1 2022 is impacted by net interest expenses of EUR 0.3 million (Q1 2021: EUR 0.4 million), which includes interest effects from lease accounting of EUR 0.2 million (Q1 2021: EUR 0.2 million). Furthermore, net financial gains of EUR 1.1 million (Q1 2021: net financial gains of EUR 0.7 million) relating to the revaluation of foreign currency assets and liabilities and the result on hedging instruments, impacted the net income in Q1 2022.

In Q1 2022, the group reported an income tax expense of EUR 0.6 million after an income tax expense of EU 0.7 million in Q1 2021. 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.

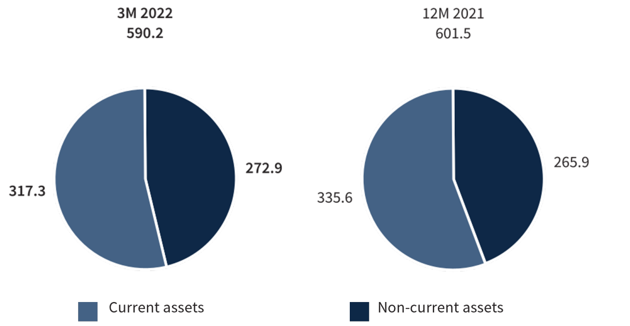
Summary: Business development and operational performance

In Q1 2022, ADVA recorded a significant increase in revenues compared to the previous year with a decreased gross margin at the same time. Due to the lower operating result ADVA reports a significantly declined net profit of EUR 6.2 million in the current period compared to a net profit of EUR 11.2 million in Q1 2021.

Net assets and financial position

Balance sheet structure

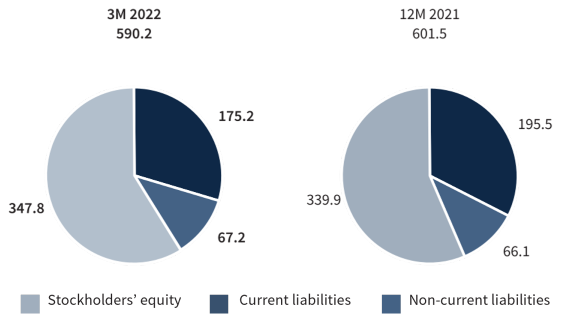
ADVA's total assets decreased slightly by EUR 11.3 million from EUR 601.5 million at the end of 2021 to EUR 590.2 million at the end of March 2022.



Current assets amounted to EUR 317.3 million at the end of Q1 2022, EUR 18.3 million lower than the corresponding figure of EUR 335.6 million at the end of 2021 and accounted for 53.8 % and 55.8 % of total assets at these reporting dates, respectively. The decrease in current assets was mainly due to the decrease in cash and cash equivalents to EUR 73.0 million. This results in particular from the decline in cash flow from operating activities presented in the cash flow section. At the same time, trade receivables increased from EUR 83.0 million on December 31, 2021 to EUR 99.3 million at the end of Q1 2022 due to the increase in revenues, and DSOs decreased from 53 days in 12M 2021 to 48 days in Q1 2022. Inventories slightly increased from EUR 129.2 million on December 31, 2021 to EUR 130.2 million at the end of Q1 2022. In Q1 2022 Inventory turns slightly declined to 3.7 x compared to the value in 12M 2021 of 3.8 x.

Non-current assets increased to EUR 272.9 million at the end of Q1 2022 from EUR 265.9 million at year-end 2021. The increase in non-current assets was in particular due to a EUR 4.6 million increase in other intangible assets. In addition, capitalized development projects increased by EUR 1.2 million and goodwill by EUR 1.0 million due to exchange rate 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, 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 2021.



On the equity and liabilities side, current liabilities decreased by EUR 20.4 million from EUR 195.5 million on December 31, 2021 to EUR 175.2 million on March 31, 2022. This decrease is primarily attributable to significantly lower trade payables. These amounted to EUR 65.1 million at the end of Q1 2022, EUR 18.2 million strongly lower than the EUR 83.2 million reported at the end of December 2021. In Q1 2022, DPOs amounted to 57 days compared to 58 days in 12M 2021. The decrease in trade accounts payable resulted in particular from the scheduling of material purchases and the advance payments already made for this purpose to secure the supply chain. In addition, current provisions increased significantly by EUR 7.1 million, in particular due to the pro rata recognition of variable employee compensation components for the current financial year. At the same time, other current liabilities decreased significantly by EUR 16.0 million to EUR 24.1 million as of March 31, 2022, in particular due to the payment of variable employee compensation components for 2021 in Q1 2022. Current contract liabilities amounted to EUR 26.2 million as of March 31, 2022, compared to EUR 18.8 million reported at year-end 2021.

Non-current liabilities of EUR 67.2 million at the end of Q1 2022 are slightly increased from the EUR 66.1 million reported at the end of 2021.

Stockholders' equity increased from EUR 339.9 million reported on December 31, 2021, to EUR 347.8 million on March 31, 2022. The equity ratio was at 58.9 % on March 31, 2022, after 56.5 % on December 31, 2021, while the non-current assets ratio amounted to 127.4 % and 127.8 %, respectively, with stockholders' equity fully covering the non-current assets.

Capital expenditures

Capital expenditures for additions to property, plant and equipment in Q1 2022 amounted to EUR 4.4 million, significantly up from the EUR 2.4 million seen in Q1 2021. The increase mainly relates to test equipment.

Capital expenditures for intangible assets of EUR 17.6 million in Q1 2022 were significantly up from EUR 10.0 million in Q1 2021. This total consists of capitalized development projects of EUR 12.4 million in Q1 2022 after EUR 9.9 million in Q1 2021 and capital expenditures for other intangible assets of EUR 5.2 million in Q1 2022 after nearly nil in Q1 2021. The investments in other intangible assets include in particular the capitalization of a joint development.

Cash flow

Cash flow from operating activities was negative EUR 12.7 million in Q1 2022, after positive EUR 27.4 million in Q1 2021. The significant decrease in Q1 2022 is in particular due to lower earnings before taxes and higher cash outflows for net working capital compared with the corresponding prior-year period.

Cash flow from investing activities amounted to negative EUR 22.0 million in Q1 2022 after negative EUR 12.3 million in Q1 2021. The clearly increased use of funds for investing activities is largely due to higher investments in property, plant and equipment as well as intangible assets as described in the capital expenditure section above.

Finally, net cash outflows of EUR 1.4 million were reported from financing activities in Q1 2022, after cash inflows of EUR 1.1 million from financing activities in Q1 2021. In both quarters, the cash outflows result from scheduled interest payments for existing bank loans and repayments of lease liabilities.

Overall, including the net effect of foreign currency translation of positive EUR 0.2 million, cash and cash equivalents significantly decreased by EUR 36.0 million, from EUR 109.0 million at the end of December 2021 to EUR 73.0 million on March 31, 2022. In Q1 2021, cash and cash equivalents had increased by EUR 14.2 million.

With the exception of local currency regulations for cash and cash equivalents in China amounting to EUR 2.7 million, there were no significant restrictions 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.

Total financial debt slightly decreased by EUR 0.6 million to EUR 72.2 million at the end of Q1 2022. While the current and non-current portion of liabilities to banks remained fairly stable at EUR 25.3 million and EUR 22.5 million, the current portion of liabilities from leasing slightly increased by EUR 0.3 million to EUR 6.3 million while the non-current liabilities from leasing decreased by EUR 0.9 million to EUR 18.1 million.

On March 31, 2022, the group had not used the available committed borrowing facilities of EUR 10.0 million (on December 31, 2021: unused committed borrowing facilities amounted to EUR 10.0 million).

Net cash represents one of the four key performance indicators for ADVA. Mainly due to the previously described decrease in cash and cash equivalents, net cash decreased significantly from EUR 36.2 million at the end of 2021 to EUR 0.8 million in Q1 2022. Cash and cash equivalents on March 31, 2022, and on December 31, 2021, were invested mainly in EUR, USD and GBP.

Return on capital employed in Q1 2022 was at 10.0 %, down from the 11.7 % reported in 12M 2021. This development is mainly due to the negative development of the operating result in Q1 2022.

Summary: Net assets and financial position

Despite the decrease in net cash at the end of Q1 2022, ADVA's net assets and financial position remain strong. The equity ratio further improved to 58.9 % at the end of March 2022 compared to 56.5 % at the end of 2021.

Outlook

Despite ongoing difficulties caused by the external environment, ADVA has made a very good start to the 2022 financial year, posting record sales of EUR 170.5 million. Pro forma EBIT margin in Q1 2022 was 4.6 % and thus below the exceptionally good result of the year-ago quarter (8.9 %). However, the results were very satisfying in view of the effects of the global semiconductor crisis.

The company's capital structure remains very solid. Thus, ADVA was able to spend non-operating cash on maintaining the supply chain and deliberately built up higher inventories in order to also ensure delivery capability in the subsequent quarters. For this reason, cash decreased from EUR 109.0 million in Q4 2021 to EUR 73.0 million in Q1 2022. Consequently, net cash decreased from EUR 36.2 million to EUR 0.8 million. Leverage increased slightly from 0.4 x to 0.5 x and reflects ADVA's investment grade profile.

The digitization of ecosystems and the expansion of communication networks is progressing and is supported by public funding programs in many regions and countries. This environment will continue to have a positive impact on demand for the company's products for the foreseeable future. Investments in innovation in recent years have laid the foundation for a differentiated portfolio of solutions with which the company intends to continue expanding its market share. The transformation of the business towards growth markets with a higher share of software and services as well as more verticalization is developing well and should improve the company's margin profile in the long term.

Nevertheless, the entire industry is confronted with solving the challenges arising from the global shortage of semiconductors. In particular, this includes ensuring the ability to deliver and significantly higher purchasing costs. Against this background, the company was able to achieve a very good first quarter of 2022 and is also positive about the further course of the financial year. Nevertheless, the management currently assumes that the semiconductor crisis will not improve significantly in the 2022 financial year. And with respect to the Covid-19 pandemic, it remains to be seen whether new lockdowns in China will lead to further tightening of supply chains. We also cannot foresee if new virus variants will appear leading to further restrictions - or whether the crisis will become less severe over the course of the year.

Against this background, the management board confirms the outlook as of February 24, 2022 and expects revenues of between EUR 650 and 700 million for the full year 2022. In addition, the management board assumes that the pro forma EBIT will continue to be impacted by higher purchasing costs. Against this background, the management board expects a pro forma EBIT margin of between 6% and 10% in relation to revenues.

The consequent execution of the business transformation strategy will also be the focus of activities in 2022. In connection with continued strict cost management, the Management Board expects a sustainable pro forma EBIT in the high single-digit percentage of revenues in the medium term.

The group will continue to selectively invest in product development, technology and sales-increasing measures while maintaining cost management. The group’s main risks are explained in the “risk and opportunity report” section of the 2021 annual report.

Consolidated statements of financial position as of March 31, 2022 (unaudited)

(in thousands of EUR)	Mar. 31, 2022	Dec. 31, 2021
Current assets		
Cash and cash equivalents	73,002	108,987
Trade accounts receivable	99,273	82,972
Contract assets	181	180
Inventories	130,192	129,205
Tax assets	909	331
Other current assets	13,746	13,978
Total current assets	**317,303**	**335,653**
Non-current assets		
Right-of-use assets	21,762	22,491
Property, plant and equipment	34,074	33,326
Goodwill	72,552	71,595
Capitalized development projects	99,004	97,786
Intangible assets acquired in business combinations	11,234	11,982
Other purchased and internally generated intangible assets	13,100	8,540
Deferred tax asset	15,716	15,339
Other non-current assets	5,503	4,812
Total non-current assets	**272,945**	**265,871**
Total assets	**590,248**	**601,524**

(in thousands of EUR)	Mar. 31, 2022	Dec. 31, 2021
Equity and liabilities		
Current liabilities		
Current lease liabilities	6,284	6,001
Current liabilities to banks	25,289	25,289
Trade accounts payable	65,063	83,223
Current provisions	22,534	15,444
Tax liabilities	5,164	5,769
Current contract liabilities and advance payments	26,189	18,810
Refund liabilities	592	931
Other current liabilities	24,059	40,065
Total current liabilities	**175,174**	**195,532**
Non-current liabilities		
Non-current lease liabilities	18,126	19,013
Non-current liabilities to bank	22,540	22,518
Provisions for pensions and similar employee benefits	7,705	7,401
Other non-current provisions	2,569	2,440
Deferred tax liabilities	2,919	2,151
Non-current contract liabilities	9,209	9,325
Other non-current liabilities	4,140	3,232
Total non-current liabilities	**67,208**	**66,080**
Total liabilities	**242,382**	**261,612**
Stockholders' equity entitled to the owners of the parent company		
Share capital	51,446	51,446
Capital reserve	328,141	327,777
Accumulated deficit	(35,116)	(94,334)
Net income	6,179	59,218
Accumulated other comprehensive income	(2,784)	(4,195)
Total stockholders' equity	**347,866**	**339,912**
Total equity and liabilities	**590,248**	**601,524**

Consolidated income statements
for the period from January 1 to March 31, 2022 (unaudited)

(in thousands of EUR, except earnings per share and number of shares)	Q1 2022	Q1 2021
Revenues	**170,498**	**144,473**
Cost of goods sold	(117,564)	(89,683)
Gross profit	**52,934**	**54,790**
Selling and marketing expenses	(18,187)	(15,669)
Thereof net impairment results on financial assets	*26*	*82*
General and administrative expenses	(9,896)	(8,496)
Research and development expenses	(20,231)	(19,718)
Other operating income	1,656	1,194
Other operating expenses	(300)	(528)
Operating income	**5,976**	**11,573**
Interest income	22	86
Interest expenses	(339)	(434)
Foreign currency exchange gains	3,549	2,604
Foreign currency exchange losses	(2,417)	(1,887)
Other financial gains	—	—
Other financial losses	—	—
Income before tax	**6,791**	**11,942**
Income tax benefit (expense), net	(612)	(714)
Net income entitled to the owners of the parent company	**6,179**	**11,228**
Earnings per share in EUR		
basic	0.12	0.22
diluted	0.12	0.22
Weighted average number of shares for calculation of earnings per share		
basic	51,445,892	50,496,692
diluted	52,733,451	51,217,212

Consolidated cash flow statements (unaudited)

(in thousands of EUR)	Q1 2022	Q1 2021
Cash flow from operating activities		
Income before tax	6,791	11,942
Adjustments to reconcile income before tax to net cash provided by operating activities		
Non-cash adjustments		
Amortization of non-current assets	17,930	16,978
Loss from disposal of property, plant and equipment and intangible assets	59	66
Stock compensation expenses	398	288
Other non-cash income and expenses	324	400
Foreign currency exchange differences	(233)	623
Changes in asset and liabilities		
Decrease (increase) in trade accounts receivable	(16,302)	(4,165)
Decrease (increase) in inventories	(987)	(3,777)
Decrease (increase) in other assets	(461)	(2,716)
Increase (decrease) in trade accounts payable	(18,160)	11,938
Increase (decrease) in provisions	7,233	6,145
Increase (decrease) in other liabilities	(8,000)	(10,282)
Income tax paid and refunded	(1,315)	4
Net cash provided by operating activities	**(12,723)**	**27,444**
Cash flow from investing activities		
Investments in property plant and equipment	(4,394)	(2,411)
Investments in intangible assets	(17,647)	(9,951)
Interest received	2	34
Net cash used in investing activities	**(22,039)**	**(12,328)**
Cash flow from financing activities		
Proceeds from capital increase and exercise of stock options	—	—
Repayment of lease liabilities	(1,225)	(616)
Proceeds from liabilities to banks	—	—
Cash repayment of liabilities to bank	—	—
Interest paid	(174)	(450)
Net cash used in financing activities	**(1,399)**	**(1,066)**
Net effect of foreign currency translation on cash and cash equivalents	176	129
Net change in cash and cash equivalents	**(35,985)**	**14,179**
Cash and cash equivalents on January 1	108,987	64,881
Cash and cash equivalents on March 31	**73,002**	**79,060**

Financial calendar

Annual shareholders' meeting	May 18, 2022 Meiningen, Germany
Equity Forum German Spring Conference 2022	May 23 - 25, 2022 Frankfurt, Germany
Publication of six-month report 2022	July 28, 2022 Martinsried/Munich, Germany
Publication of quarterly statement Q3 2022	October 27, 2022 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. ADVA's supply chain has been affected by the global semiconductor crisis: component delivery times have increased significantly and, despite many countermeasures, ADVA's delivery times to customers are also increasing. Although potential future component bottlenecks are systematically identified and analyzed, and supply chain management actively counteracts them, the risk remains that not all customers can be supplied within a timeframe that is satisfactory to them. In addition, due to the spread of existing and new Covid-19 variants, new outbreaks of infection can be expected and the risk of supply chain disruption continues. In this regard, supply chain disruption can arise from three scenarios: the potential closure of one of our manufacturing and or distribution sites due to viral infection, supply chain disruption with one or more of our manufacturing service providers, or government orders to cease production at our key manufacturing sites. Furthermore, we see a risk due to a recession driven decline in demand, as well as potential increased risk of default of individual customers. All other risks and uncertainties remain unchanged and are explained in the "risk and opportunity report" section of the Group Management Report 2021.

Glossary

Capital employed

The capital employed is the difference between the average balance sheet total and the average current liabilities of the previous 12M period, calculated as the arithmetic average of the quarterly balance sheet date values.

DPO (days payable outstanding)

The key figure indicates the average number of days between receipt of invoice and outgoing payment.

DSO (days sales outstanding)

The key figure describes the average number of days between invoicing and receipt of payment.

Leverage

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. This is a new ratio from 2018 onwards due to covenant requirements. Prior period information in the multi-year overview has been calculated accordingly.

Net cash

Net cash is calculated by subtracting financial debt comprising of current and non-current liabilities to banks and current and non-current lease liabilities according to IFRS 16 Leases from cash and cash equivalents. A negative calculation result is referred to as net debt .

Net promoter score (NPS)

The NPS 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.

Pro forma EBIT

Pro forma EBIT 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 M&A and restructuring measures are not included.

ROCE (return on capital employed)

ROCE is the operating result for the previous 12M period divided by the capital employed.

Working capital

Working capital is defined as the total of trade accounts receivable and inventories less trade accounts payable.

Working capital ratio

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

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

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Disclaimer:

Potential inconsistencies in the table values are based on rounding differences.