

Remuneration report 2015

The compensation of ADVA Optical Networking's Management Board members consists of fixed and variable components. In addition to a fixed salary, the members of the Management Board receive variable compensation in the form of bonus payments which are assessed based in part on short-term aspects and in part on long-term criteria focusing on the sustainable development of the Group. As additional long-term variable compensation, the Management Board members receive stock options within the scope of ADVA Optical Networking's stock option program. The maximum amount of compensation for the members of the Management Board is capped, both overall and for its variable compensation components (annual bonus, long term bonus, newly issued options). Information on the details of the stock option plans affecting the members of the Management Board is provided in note (33) to the consolidated financial statements 2015, which are contained in the Annual Report 2015.

In 2015, the combined fixed salary of the two members of the Management Board in office throughout the years 2014 and 2015 remained unchanged. The short-term variable compensation for both years was based on the Group's pro forma operating income (40%), the Group's revenues (20%), the Group's net liquidity (20%) as well as individual goals agreed with each member of the Management Board at the beginning of the respective year (20%). The short-term variable compensation is determined annually as compensation for the current year at the discretion of the Supervisory Board. Furthermore, a new long-term variable compensation focusing on the sustainable development of the Group was agreed in 2015 after the previous long-term variable compensation became obsolete. The new long-term variable compensation will be paid to the members of the Management Board after three years, provided that minimum Group pro forma operating income margins, increasing year-by-year, are met for each of the three years. All members of the Management Board additionally receive a company car or a car allowance, as well as – in Germany – reimbursement of half of their social security contributions. Moreover, ADVA Optical Networking bears the costs of pecuniary damage liability insurance for the Management Board members, taking into account the statutory deductible amount. These benefits are partially taxable by the members of the Management Board as non-cash benefits. In addition, ADVA Optical Networking grants stock options to members of the Management Board. These option rights authorize the members of the Management Board to purchase a set number of shares in the Company once a fixed vesting period has elapsed.

Jaswir Singh left the Company at the end of 2014 by mutual agreement. From January 1, 2015, Ulrich Dopfer took over responsibility as Chief Financial Officer and Christoph Glingener took over responsibility as Chief Operating Officer. In addition to Jaswir Singh's remuneration for his services performed in 2014, he received an additional compensation amounting to EUR 490 thousand (USD 660 thousand).

Total Management Board compensation payable for 2015 and 2014 was EUR 3,732 thousand and EUR 1,943 thousand, respectively. This compensation breaks down to the individual members of the Management Board as follows (see also note (35) to the consolidated financial statements 2015):

Value of benefits granted for the reporting period

(in thousands of EUR)	Brian Protiva Chief Executive Officer				Christoph Glingener Chief Technology Officer & Chief Operating Officer				Ulrich Dopfer Chief Financial Officer from January 1, 2015				Jaswir Singh Chief Financial Officer & Chief Operating Officer Operations until December 31, 2014			
	2015	2014	(Min) 2015	(Max) 2015	2015	2014	(Min) 2015	(Max) 2015	2015	2014	(Min) 2015	(Max) 2015	2015	2014	(Min) 2015	(Max) 2015
Benefits granted																
Fixed compensation	253	253	253	253	253	253	253	253	230	-	230	230	-	324	-	-
Fringe benefits	22	20	22	22	19	19	19	19	17	-	17	17	-	15	-	-
Total	275	273	275	275	272	272	272	272	247	-	247	247	-	339	-	-
Short-term variable compensation (1 year)	314	265	-	537	213	179	-	360	118	-	-	200	-	125	-	-
<i>Multi-year variable compensation:</i>																
Compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	490	-	-
Long-term variable compensation (3 years)	268	-	-	268	180	-	-	180	111	-	-	111	-	-	-	-
Stock option plans (7 years)	426	632	-	3,700	316	466	-	3,600	351	-	-	3,060	-	-	-	-
Total	1,283	1,170	275	4,780	981	917	272	4,412	827	-	247	3,618	-	954	-	-

Actual contribution for the reporting period

(in thousands of EUR)	Brian Protiva Chief Executive Officer				Christoph Glingener Chief Technology Officer & Chief Operating Officer				Ulrich Dopfer Chief Financial Officer from January 1, 2015				Jaswir Singh Chief Financial Officer & Chief Operating Officer Operations until December 31, 2014			
	2015	2014	(Min) 2015	(Max) 2015	2015	2014	(Min) 2015	(Max) 2015	2015	2014	(Min) 2015	(Max) 2015	2015	2014	(Min) 2015	(Max) 2015
Contribution																
Fixed compensation	253	253	253	253	253	253	253	253	230	-	230	230	-	324	-	-
Fringe benefits	22	20	22	22	19	19	19	19	17	-	17	17	-	15	-	-
Total	275	273	275	275	272	272	272	272	247	-	247	247	-	339	-	-
Short-term variable compensation (1 year)	314	265	314	314	213	179	213	213	118	-	118	118	-	125	-	-
<i>Multi-year variable compensation:</i>																
Compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	490	-	-
Long-term variable compensation (3 years)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock option plans (7 years)	1,183	-	1,183	1,183	893	-	893	893	35	-	35	35	-	-	-	-
Total	1,772	538	1,772	1,772	1,378	451	1,378	1,378	400	-	400	400	-	954	-	-

During both years, there were no long-term service contracts in the sense of IAS 19 for any member of the Management Board. In 2015 and 2014, no loans were granted to the members of the Management Board. At December 31, 2015, ADVA Optical Networking reports a receivable of EUR 62 thousand from Brian Protiva relating to payroll tax on exercised stock options. The receivable has been offset from remuneration paid in January and February 2016.