



Remuneration report 2016

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 two kinds of variable compensation which are assessed based either on short-term aspects or 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).

In 2016, the fixed salaries of the CEO and CTO remained unchanged, while the fixed salary of the CFO has been converted from USD to EUR and matched with the fixed salary of the other two members of the Management Board. The short-term variable compensation was based on the Group's pro forma operating income (40%), the Group's revenues (20%), and the Group's net liquidity (20%) as well as individual goals agreed with each member of the Management Board at the beginning of the 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 long-term variable compensation focusing on the sustainable development of the Group was agreed in 2015 which 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. 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 and the goal to increase the share price by at least 20% has been reached.

Total Management Board compensation payable for 2016 and 2015 was EUR 2,429 thousand and EUR 1,764 thousand, respectively. During both years, there were no long-term service contracts in the sense of IAS 19 for any member of the Management Board. In 2016 and 2015, 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. At December 31, 2016, no receivables outstanding from members of the management board have been reported.

Value of benefits granted for the reporting period

(in thousands of EUR)	Brian Protiva				Christoph Glingener				Ulrich Dopfer			
	Chief Executive Officer				Chief Technology Officer & Chief Operating Officer				Chief Financial Officer			
	2016	2015	2016 (Min)	2016 (Max)	2016	2015	2016 (Min)	2016 (Max)	2016	2015	2016 (Min)	2016 (Max)
Fixed compensation	253	253	253	253	253	253	253	253	253	230	253	253
Fringe benefits	15	14	15	15	11	11	11	11	15	17	15	15
Total	268	267	268	268	264	264	264	264	268	247	268	268
Short-term variable compensation (1 year)	226	314	-	536	152	213	-	360	135	118	-	320
Multi-year variable compensation: Long-term variable compensation (3 years)	-	89	-	-	-	60	-	-	-	37	-	-
Stock option plans (7 years)	417	-	-	3,000	403	-	-	2,900	296	341	-	2,133
Total	911	670	268	3,804	819	537	264	3,524	699	743	268	2,721

Actual contribution for the reporting period

(in thousands of EUR)	Brian Protiva				Christoph Glingener				Ulrich Dopfer			
	Chief Executive Officer				Chief Technology Officer & Chief Operating Officer				Chief Financial Officer			
	2016	2015	2016 (Min)	2016 (Max)	2016	2015	2016 (Min)	2016 (Max)	2016	2015	2016 (Min)	2016 (Max)
Fixed compensation	253	253	253	253	253	253	253	253	253	230	253	253
Fringe benefits	15	14	15	15	11	11	11	11	15	17	15	15
Total	268	267	268	268	264	264	264	264	268	247	268	268
Short-term variable compensation (1 year)	226	314	226	226	152	213	152	152	135	118	135	135
Multi-year variable compensation: Long-term variable compensation (3 years)	-	1,183	-	-	-	893	-	-	-	35	-	-
Stock option plans (7 years)	-	1,183	-	-	-	893	-	-	-	35	-	-
Total	494	1,764	494	494	416	1,370	416	416	403	400	403	403

Prior year information has been adjusted to reflect the current disclosure structure.

The compensation of the members of ADVA Optical Networking's Supervisory Board, beyond the reimbursement of out of pocket expenses, only consists of fixed compensation paid out quarterly.

The total compensation payable to the members of the Supervisory Board of ADVA Optical Networking for 2016 amounted to EUR 229 thousand, after EUR 215 thousand for 2015.

Furthermore, ADVA Optical Networking bears the cost of pecuniary damage liability insurance for all members of the Supervisory Board. During 2016, no loans or advance payments were granted to members of the Supervisory Board.

Detailed information on the compensation structure of the individual members of the Management and Supervisory Boards can be found in note (35) to the consolidated financial statements.