

# Remuneration report 2017

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 2017, the fixed salaries of the CEO, the CTO/COO and the CFO remained unchanged. The fixed salary of the CMSO who joined the management board at the beginning of the fourth quarter initially appointed until September 30, 2018 was agreed pro rata temporis according to the existing salary structure. The short-term variable compensation of all four members of the management board was based on the group's pro forma operating income<sup>1</sup> (40%), the group's revenues (20%), and the group's net liquidity<sup>2</sup> (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 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 2017 and 2016 was EUR 1,538 thousand and EUR 2,429 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 2017 and 2016, no loans were granted to the members of the management board. At December 31, 2017 and 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)

	<b>Brian Protiva</b>				<b>Christoph Glingener</b>				<b>Ulrich Dopfer</b>				<b>Scott St. John</b>			
	Chief executive officer				Chief technology officer & Chief operating officer				Chief financial officer				Chief marketing & sales officer (from October 1, 2017)			
	2017	2016	2017 (Min)	2017 (Max)	2017	2016	2017 (Min)	2017 (Max)	2017	2016	2017 (Min)	2017 (Max)	2017	2016	2017 (Min)	2017 (Max)
Fixed compensation	253	253	253	253	253	253	253	253	253	253	253	253	63	-	63	63
Fringe benefits	14	15	14	14	13	11	13	13	18	15	18	18	5	-	5	5
<b>Total</b>	<b>267</b>	<b>268</b>	<b>267</b>	<b>267</b>	<b>266</b>	<b>264</b>	<b>266</b>	<b>266</b>	<b>271</b>	<b>268</b>	<b>271</b>	<b>271</b>	<b>68</b>	<b>-</b>	<b>68</b>	<b>68</b>
Short-term variable compensation (1 year)	167	226	-	536	113	152	-	361	101	135	-	320	28	-	-	90
Multi-year variable compensation: Long-term variable compensation (3 years)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock option plans (7 years)	-	417	-	5,200	-	403	-	6,500	-	298	-	5,133	257	-	-	3,000
<b>Total</b>	<b>434</b>	<b>811</b>	<b>267</b>	<b>6,003</b>	<b>379</b>	<b>819</b>	<b>266</b>	<b>7,127</b>	<b>372</b>	<b>699</b>	<b>271</b>	<b>5,724</b>	<b>353</b>	<b>-</b>	<b>68</b>	<b>3,158</b>

**Actual contribution for the reporting period**

(in thousands of EUR)

	<b>Brian Protiva</b>				<b>Christoph Glingener</b>				<b>Ulrich Dopfer</b>				<b>Scott St. John</b>			
	Chief executive officer				Chief technology officer & Chief operating officer				Chief financial officer				Chief marketing & sales officer (from October 1, 2017)			
	2017	2016	2017 (Min)	2017 (Max)	2017	2016	2017 (Min)	2017 (Max)	2017	2016	2017 (Min)	2017 (Max)	2017	2016	2017 (Min)	2017 (Max)
Fixed compensation	253	253	253	253	253	253	253	253	253	253	253	253	63	-	63	63
Fringe benefits	14	15	14	14	13	11	13	13	18	15	18	18	5	-	5	5
<b>Total</b>	<b>267</b>	<b>268</b>	<b>267</b>	<b>267</b>	<b>266</b>	<b>264</b>	<b>266</b>	<b>266</b>	<b>271</b>	<b>268</b>	<b>271</b>	<b>271</b>	<b>68</b>	<b>-</b>	<b>68</b>	<b>68</b>
Short-term variable compensation (1 year)	167	226	167	167	113	152	112	112	101	135	100	100	28	-	28	28
Multi-year variable compensation: Long-term variable compensation (3 years)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock option plans (7 years)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>434</b>	<b>494</b>	<b>434</b>	<b>434</b>	<b>379</b>	<b>416</b>	<b>378</b>	<b>378</b>	<b>372</b>	<b>403</b>	<b>371</b>	<b>371</b>	<b>96</b>	<b>-</b>	<b>96</b>	<b>96</b>

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 2017 amounted to EUR 235 thousand, after EUR 229 thousand for 2016.

Furthermore, ADVA Optical Networking bears the cost of pecuniary damage liability insurance for all members of the supervisory board. During 2017, 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 (36) to the consolidated financial statements.