Explanatory Report of the management board
of ADVA Optical Networking SE

to the information in the (group) annual report 2019 pursuant to
sec 289a (1) and sec 315a (1) Commercial Code (Handelsgestzbuch, HGB)

According to sec. 176 (1) (1) of the German Stock Corporation Act (Aktiengesetz, AktG), the management board is to make accessible to the general meeting an explanatory report on the information provided pursuant to sec. 289a (1) and sec. 315a (1) of the German Commercial Code (HGB). The aforementioned provisions of the Commercial Code require stock corporations whose voting shares are admitted to stock market trading on an organized market to provide some additional information in the management report, e.g. on the composition of the subscribed capital, on any restrictions on voting rights and on participations in capital exceeding 10% of the voting rights. For this information in the (group) management Report, we hereby provide the following explanations:

Subscribed capital and shareholder structure
As of March 31, 2020, ADVA Optical Networking SE has issued 50,181,966 no-par bearer shares of common stock (March 31, 2019: 49,930,955). During the reporting period, no other classes of shares were issued. All shares have the same rights and obligations. Each share grants one vote.

At the end of 2019, EGORA Holding GmbH held a total of 7,456,749 shares according to the notification of 30 November 2017 that was published on 8 December 2017 or 14.86% of the share capital of ADVA Optical Networking SE (at year-end 2018: 7,456,749 shares or 14.93% of the share capital). 5,930,902 shares or 11.82% of all outstanding shares (at year-end 2018: 5,930,902 shares or 11.88% of all outstanding shares) were held by EGORA Ventures GmbH, a wholly owned subsidiary of EGORA Holding GmbH, and the remaining 1,525,847 shares or 3.04% of all outstanding shares (at year-end 2018: 1,525,847 shares or 3.06% of all outstanding shares) directly from EGORA Holding GmbH. Both EGORA companies are based at Fraunhoferstraße 22 in 82152 Planegg-Martinsried, Germany. The notification was based on a stock of voting rights of 49,735,549 shares (31 December 2019: 50,181,966 shares).

Moreover, according to the notification published on 27 September 2019 dated 26 September 2019, Teleios Global Opportunities Master Fund Ltd. based in Buckingham Square, 720 West Bay Road, Grand Cayman KY1-1104, Cayman Islands, held a total of 11,217,927 shares or 22.36% of the share capital of ADVA Optical Networking SE at the end of 2019 (at year-end 2018: 10,104,243 shares or 20.25% of all outstanding shares). In addition, after the balance sheet date, the company was informed by Mr. Igor Kuzniar in a voting rights notification dated 16 January 2020 published by the company on 20 January 2020, that in accordance with section 34 WpHG 10,009,707 voting rights (19.95%) are attributable to him via Teleios Capital Partners LLC. Teleios Global Opportunities Master Fund Ltd. is named in section 4 of the voting rights notification as the direct shareholder holding more than 3% of the company's voting rights.

No other shareholder has notified the company until the balance sheet date to hold more than 10% of the company’s shares outstanding on 31 December 2019.

There are no classes of shares with special rights conferring control powers.
The company does not have an employee stock option program that provides for the direct issue of shares to employees. However, stock option and option bond programs enable employees to participate in the company's share capital.

Voting Rights and Stock Transfer Restrictions
Neither the voting rights per share nor the transferability of the shares of the company are subject to company law restrictions. In addition, at the end of 2017, the Management Board of ADVA Optical Networking SE was not aware of any shareholder agreements concerning the voting rights or the transfer of shares in the company.

Appointment and dismissal of the members of the management board
The appointment and dismissal of the members of the management board of ADVA Optical Networking SE follows the direction of the German Stock Corporation Act (Aktiengesetz, AktG), the German SE Implementation Act (SE-Ausführungsgesetz, SEAG), as well as the provisions in § 6 of the current Articles of Association of the Company. According to these articles, the supervisory board appoints the members of the management board and does so for a maximum of five years. However, it is the company's practice to appoint the members of the management board for two years only. Repeated appointment is possible.
According to the company's articles of association, the management board of ADVA Optical Networking SE shall regularly consist of two individuals and the supervisory board shall have the right to determine and appoint a higher number of persons. If the management board consists of more than one individual, the supervisory board may appoint one member of the management board as chief executive officer or speaker of the management board, and another member his or her deputy. The supervisory board may revoke an already-effective appointment important reasons. In fiscal year 2019, no appointments or dismissals of management board were affected. ADVA Optical Networking SE's management board consisted of Brian Protiva (chief executive officer), Christoph Glingener (chief technology officer), Ulrich Dopfer (chief financial officer), and Scott St. John (chief marketing & sales officer).

Changes to the articles of association
Amendments to the articles of association of ADVA Optical Networking SE are subject to the provisions of art. 59 SE-VO and section 179 AktG. According to art. 59 (1) SE-VO, amendments to the articles of association generally require a resolution of the general meeting passed by a majority of not less than two-thirds of the votes cast, unless the legal provisions for limited liability companies provide for or permit higher majorities. For amendments to the Articles of Incorporation of an SE domiciled in Germany, pursuant to Section 179 (2) sentence 1 AktG, a majority of at least three quarters of the share capital represented in the resolution is required. In line with the SE Regulation, which always refers to the majority of the votes cast and not capital majority (see articles 57, 58, 59 SE Regulation), the three-quarter majority requirement does not apply to the represented capital stock, but based on the votes cast. Changes to the articles of association must therefore be approved by the annual general meeting by a majority of at least three quarters of the votes cast.

Deviating from this, ADVA Optical Networking SE has not opted to having the simple majority of votes for amendments to the articles of incorporation suffice if at least half of the share capital is represented (Article 59 (2) SE Regulation in conjunction with Section 51 Sentence 1 SEAG).

In addition, the regulations of section 4 (69 and section 13 (3) of the current articles of association of the company apply, whereby the supervisory board is authorized to resolve amendments to the articles of association. In particular, the supervisory board is authorized to amend the wording of the articles of association in accordance with the scope of the capital increases from authorized capital and the conditional capital taking effect.

Issue and buy-back of shares
The rights of the management board to issue new shares are regulated in section 4 (4) and (5k) of the articles of association of ADVA Optical Networking SE. In accordance with the current articles of incorporation of ADVA Optical Networking SE, the Management Board may currently issue up to 24,965,477 shares from authorized capital totaling EUR 24,965,477 against cash and / or non-cash contributions excluding subscription rights (Authorized Capital 2019/I). As at 31 December 2019, the authorized capital amounted to EUR 24,965,477, so that the authorization of the Management Board to issue new shares against cash or non-cash contributions as at this date amounted to 24,965,477 shares or 49.75% of the outstanding share.,

In detail, the management board is initially authorized in accordance with section 4 (4) of the current articles of association to issue the capital stock by 21 May 2024 by issuing a total of up to 24,965,477 new no-par-value bearer shares (ordinary shares) - or contribution in kind by up to EUR 24,965,477.00.

The Management Board is authorized, with the approval of the Supervisory Board, to exclude subscription rights in the case of capital increases against non-cash contributions, provided that the shares issued for cash or non-cash contributions during the term of this authorization to the exclusion of shareholders' subscription rights do not exceed 20% of the share capital, and although neither at the time of the effective date nor at the time of the utilization of this authorization.

In the case of capital increases against cash contributions, the shareholders must in principle be granted a subscription right to the new shares.

However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the case of capital increases against cash contributions, for the purpose of introducing shares of the Company on a foreign stock exchange, including the allocation of the shares to a bank or several credit institutions, with the proviso that that the new shares will be placed on the US capital market by means of American Depositary Receipts (ADR) as part of the first-time introduction of the Company and, in connection with the aforementioned cases, also to cover an over-allotment option granted to the underwriters.

The Management Board is also authorized, with the consent of the Supervisory Board, to exclude the subscription rights of shareholders in the event of capital increases against cash contributions, provided that the shares issued against cash or non-cash contributions during the term of this authorization do not exceed a total of 20% of the share capital neither at the time of the effective date nor at the time when this authorization is used,

(i) if the subscription right is excluded in order to realize any peaks, or

(ii) insofar as the exclusion of subscription rights to dilution protection is required to grant subscription rights to new holders of conversion or option rights issued or to be issued by the Company or by companies in which the Company holds a direct or indirect majority interest To grant shares to the extent they are entitled to exercise the conversion or option rights or fulfillment of conversion obligations; or

(iii) if the issue price of the new shares does not significantly fall below the stock exchange price and the shares issued in accordance with or in analogous application of section 186 (3) sentence 4 of the German Stock Corporation Act against cash contributions excluding subscription rights during the term of this authorization amount to a total of 10% of the share capital not at the time of the effective date of this authorization. The limitation to 10% of the share capital is to be credited:

- treasury shares that are sold during the term of this authorization in accordance with the application of section 186 (3) sentence 4 AktG, excluding the subscription right of the shareholders, and

- Shares issued or to be issued for the servicing of bonds with conversion or option rights if and to the extent that the bonds were issued during the term of this authorization in reasonable application of section 186 (3) sentence 4 AktG, excluding the subscription right become.

The authorization of the Management Board to issue new shares from authorized capital enables the Management Board to cover a capital requirement in a timely, flexible and cost-effective manner and to use attractive financing options, depending on the market situation. In particular, by offering the possibility of issuing new shares for the purpose of acquiring companies or equity interests in return for contributions in kind, excluding shareholders' subscription rights of up to 20% of the share capital, the Company may make acquisitions without encumbering liquidity.

In addition, as of December 31, 2019, a contingent capital totaling EUR 4,993,095 was entered in the commercial register (Contingent Capital 2011/I). The contingent capital increase serves to grant share purchase and similar rights to members of the Management Board, employees of the company and members of the management and employees of affiliated companies. This capital increase will only be carried out to the extent that the holders of the subscription rights exercise their right. 251,011 new shares were already created in 2019 as a result of the exercise of stock options, but have been registered in the commercial register after the balance sheet date. Thus, the number of shares that can be issued by the Management Board from the conditional capital is reduced to 4,742,084 or 9.45% of the outstanding shares.

At year-end 2019, the Board of Management was authorized to buy back up to a total of 10.0% of the existing share capital at the date of the resolution of the general meeting or, if lower, at the time the authorization will be exercised. This right was granted to the Management Board by resolution of the Annual General Meeting of 22 May 2019 until 21 May 2024. Shares bought back may be used for any legally permissible purpose, including in consideration for the acquisition of companies, parts of companies or corporate interests, for the issue of employee shares to employees of the Company and affiliates, to service subscription rights from the Shares option and option bond programs of the Company and for the collection of shares.

Provisions for changes of control as a result of a takeover bid
At year-end 2019, a bilateral loan with redemption value of nominally EUR 6.3 million (repayable in 16 equal quarterly installments since March 2017), a bilateral loan with redemption value of nominally EUR 2.5 million (repayable in 16 equal quarterly installments since March 2017), a bilateral loan with redemption value of nominally EUR 3.8 million (repayable in 12 equal quarterly installments since March 2019), a bilateral loan with redemption value of nominally EUR 10.0 million (repayable on the final due date), and a syndicated loan with a redemption value of nominally EUR 59.0 million (repayable in half-yearly installments as well as a final installment on the due date from June 2019), respectively, are part of ADVA Optical Networking SE's financial liabilities. In addition, the syndicated loan has an undrawn credit line of EUR 10.0 million at the reporting date. In the event of a potential takeover bid-driven change in control of ADVA Optical Networking SE, the creditors have the right to terminate these loans with immediate effect.

As of December 31, 2019, for the event of a takeover bid-driven change in control there have been no recourse agreements in place with any of the members of the Management Board or with any of the Group's employees.

Other mandatory disclosures
All employees participating in the capital of ADVA Optical Networking SE were able to exercise their control rights directly during the 2019 financial year.

Meiningen, in April 2020

ADVA Optical Networking SE
The Vorstand

Brian Protiva | Ulrich Dopfer

Christoph Glingener | Scott St. John