

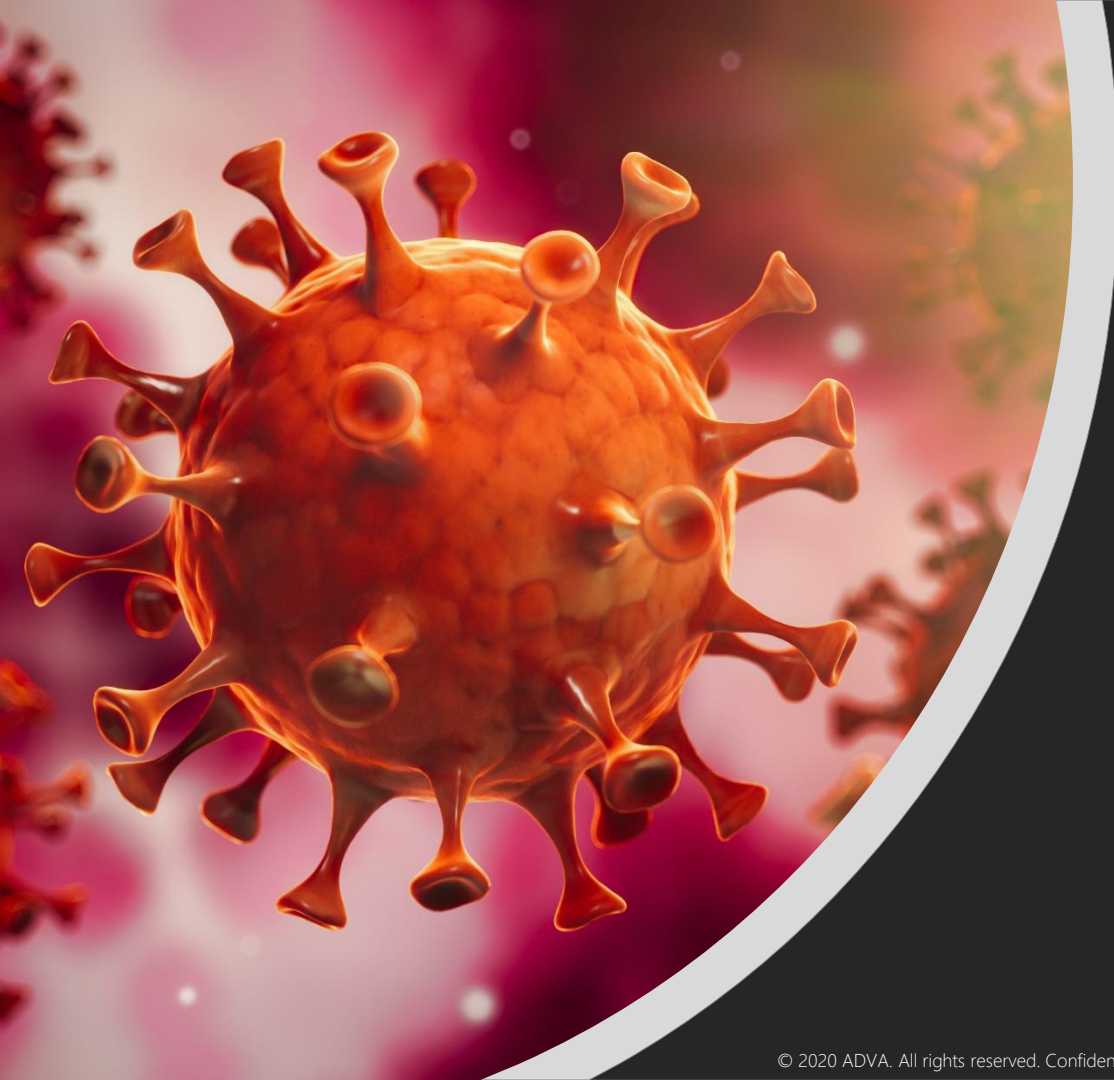


# Report of the management board

Annual general meeting

FSE: ADV

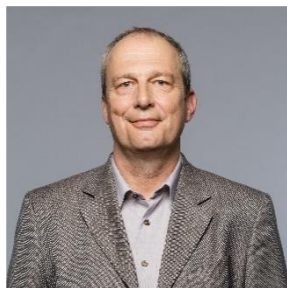
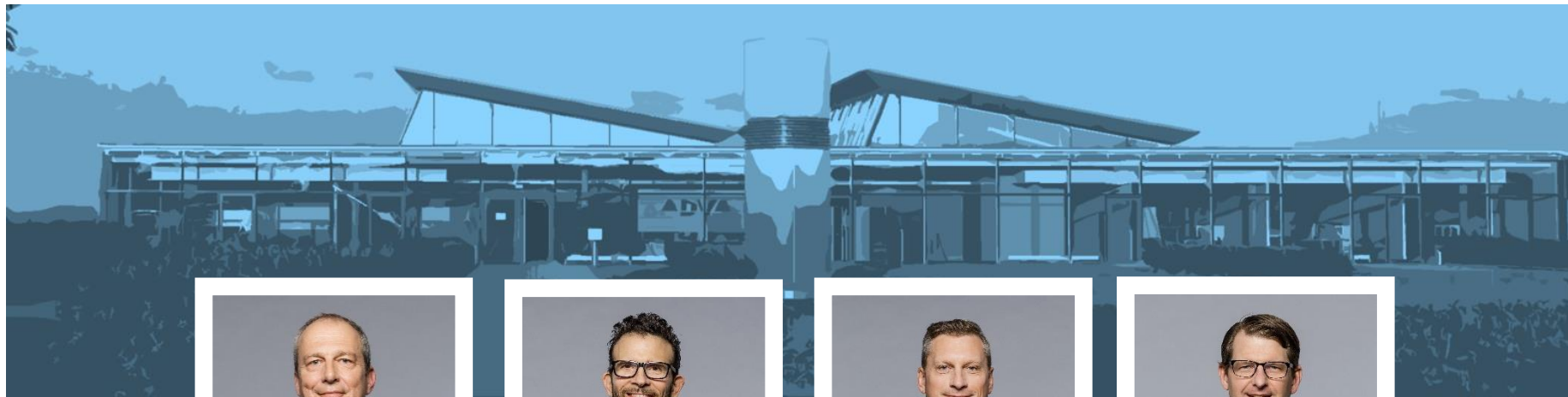
May 13, 2020



# Covid-19

Safety first

# Welcome to our virtual AGM



**Christoph Glingener**

CTO

R&D, operations,  
business development,  
quality, sustainability



**Brian Protiva**

CEO

HR



**Ulrich Dopfer**

CFO

Finance  
Legal, IT  
Investor relations



**Scott St. John**

CMSO

Marketing  
Sales  
Services



# Disclaimer

## FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements with 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 involve a number of unknown risks, uncertainties and other factors that could cause actual results to differ materially. Unknown risks, uncertainties and other factors are discussed in the 'risk report' section of ADVA Optical Networking's annual report 2019.

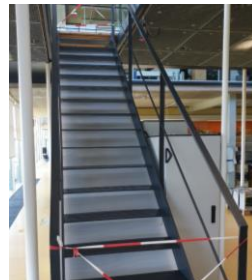
## CONSOLIDATED PRO FORMA FINANCIAL RESULTS

ADVA provides consolidated pro forma financial results in this presentation solely as supplemental financial information to help investors and the financial community make meaningful comparisons of ADVA's operating results from one financial period to another. ADVA believes that these pro forma consolidated financial results are helpful because they exclude non-cash charges related to stock compensation programs and amortization and impairment of goodwill and acquisition-related intangible assets, which are not reflective of the group's operating results for the period presented. This pro forma information is not prepared in accordance with IFRS and should not be considered a substitute for historical information presented in accordance with IFRS.

# Our team in times of Covid-19

~1900 employees

- ~1500 work from home
- ~400 on site



## Meiningen

Social distancing – handover R&D to Operations – area separation



## Neuchâtel

Atomic clock assembly – tube welding



## York

Distribution



## Atlanta

Temperature test – system configuration



Protecting health – securing supply – creating the future

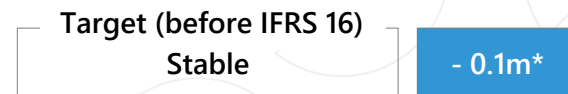
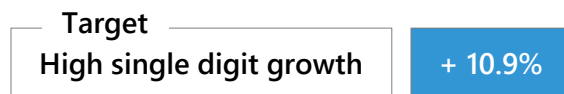
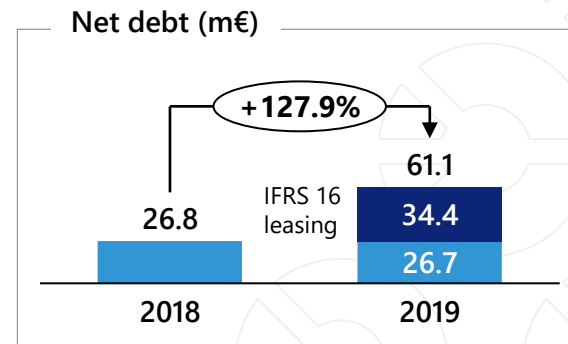
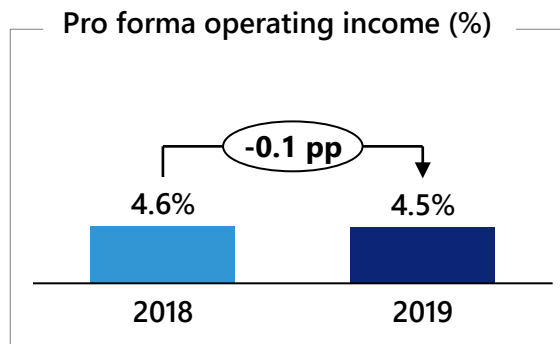
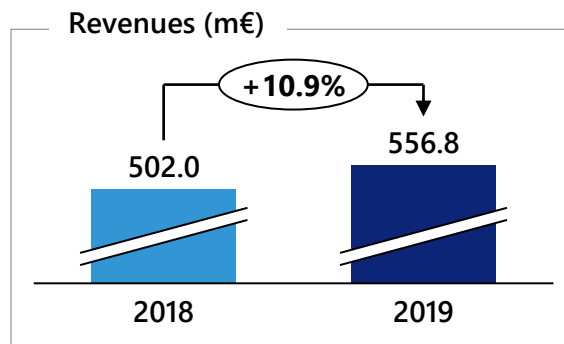




# 2019

## The year in review

# Financial year 2019 in review



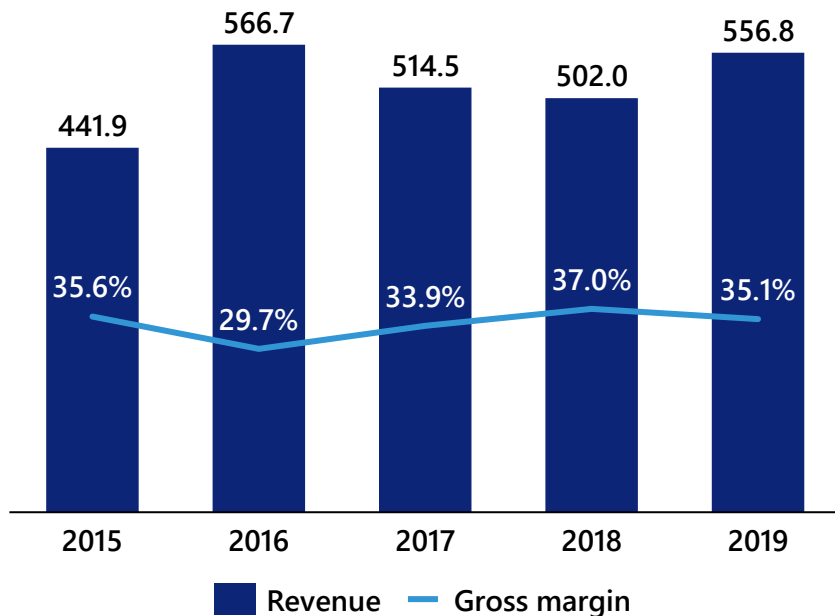
\* Without IFRS 16

Expectations for 2019 have been met or exceeded

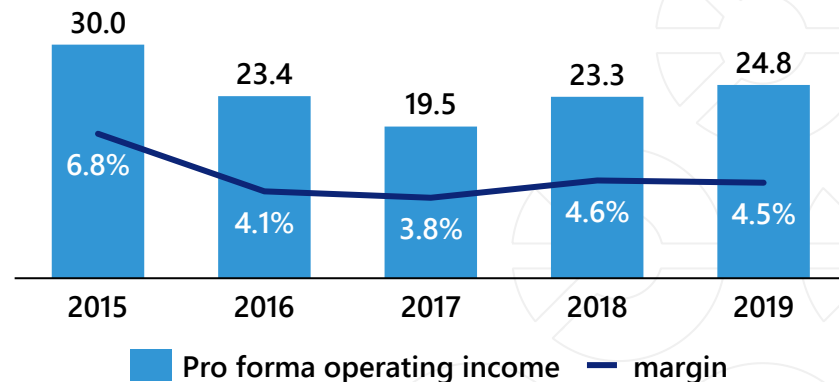
# Revenue and pro forma profitability

(in millions of EUR, in % of revenues)

## Revenue & pro forma gross margin



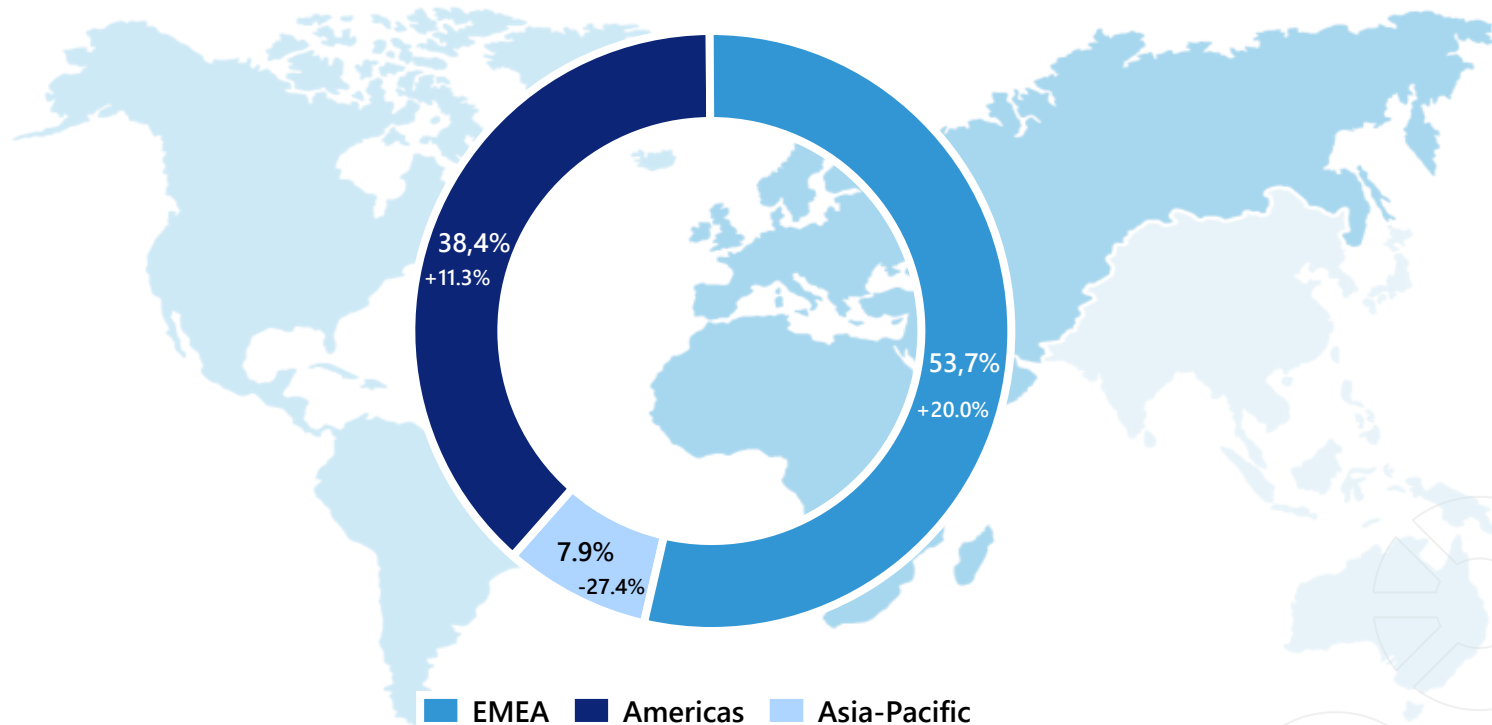
## Pro forma operating income & margin



\* Pro forma operating income 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 restructuring measures are not included.



# Regional revenue distribution



Strength in Europe and North America

# Balance sheet ratios 2019

Equity ratio  
47.7%

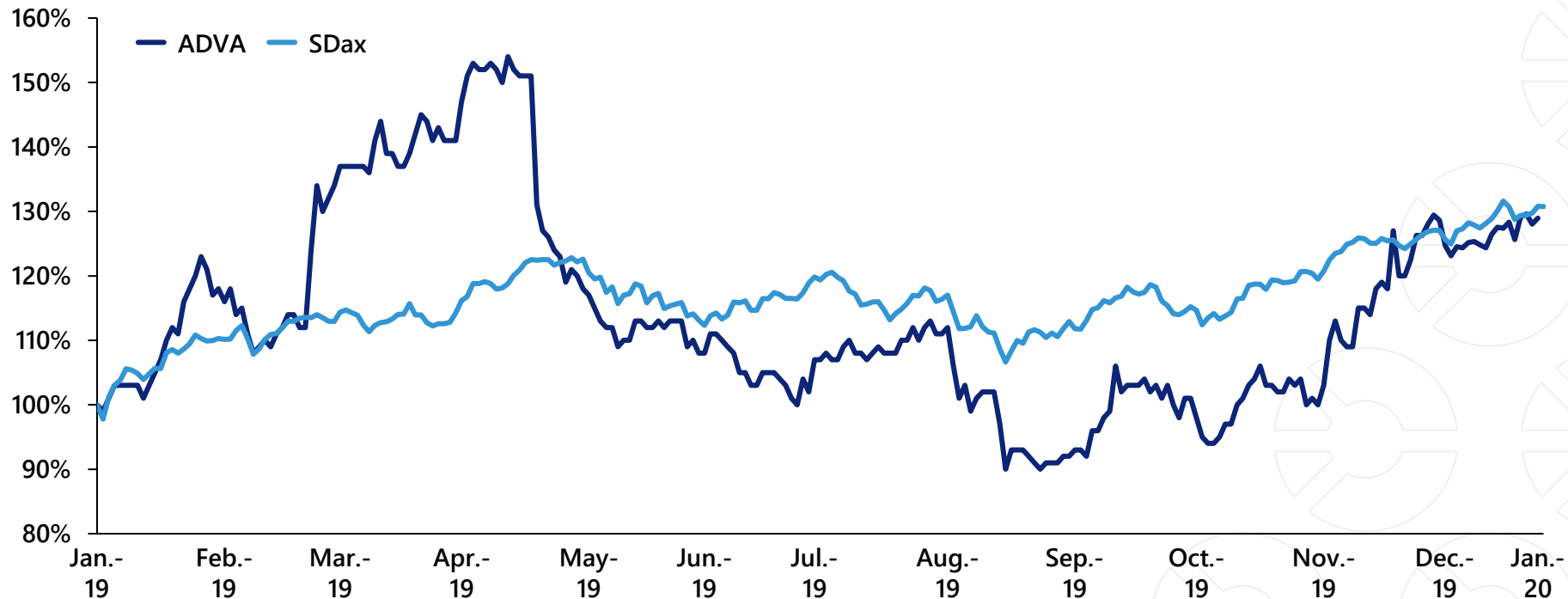
Leverage LTM  
1.2x

ROCE\*  
3.3%

*\*Return on capital employed*

# Share price development 2019

Share price development ADVA vs. SDax 2019 (normalized to 100%)





# Innovation

## During and post-Covid-19

# Digitalization: more important than ever

## Digitalization of ecosystems

IoT  
Smart workspace  
Connected home  
Smart robots  
Autonomous driving  
Augmented reality  
Artificial intelligence

## Transformation of networks

5G  
Cloud & Network 3.0  
Disaggregation  
Machine learning  
White box solutions  
Open platform  
Automation  
Edge computing  
Virtualization

## ADVA Open Edge Networking

Scalable bandwidth  
Instant service creation  
Precise synchronization

Investment is moving to the edge of the network, where ADVA performs best

# Innovative solutions for the future

## Cloud access

Solutions for network operators to create and deliver innovative communication services (also virtually)

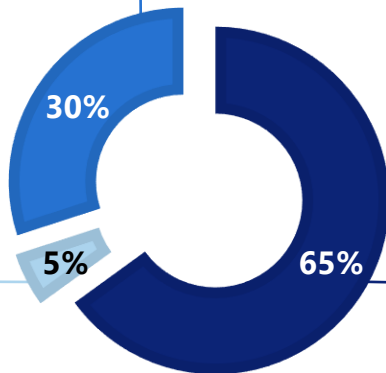


## Network synchronization

Solutions to deliver and assure precise network synchronization for telecoms (mobile networks), power utilities, media and meteorology



**OSCILLOQUARTZ**  
An ADVA Company



*Approximate revenue contribution*

## Cloud interconnect

Solution for high-capacity data transmission via fiber



Building blocks for a secure and connected future



# Partner for our customers

## Technology for mission critical infrastructure

### Communication service providers

- 17 of top 25 global CSPs
- 5 of top 6 global Ethernet service leaders

65%\*

- Long sales cycle (RFPs)  
+ Volume  
+ Longevity (stickiness)

- Network is the product, and utilization has been increasing significantly due to Covid-19

*\*approximate annual revenue contribution*

### Internet content providers

- 4 of top 5 global ICPs

10%\*

- Aggressive pricing  
- Limited visibility and stickiness  
+ Volume and growth potential

- Digital content and cloud computing facilities are the product, and cloud utilization has been increasing due to Covid-19

### Private enterprises (Fortune 500)

- 30 of top 50 banks (revenue)

25%\*

- Limited project volume  
+ Premium quality  
+ Customer loyalty and trust

- Network is not the product, but part of IT infrastructure (business continuity)

Demand from CSPs and ICPs has been relatively strong

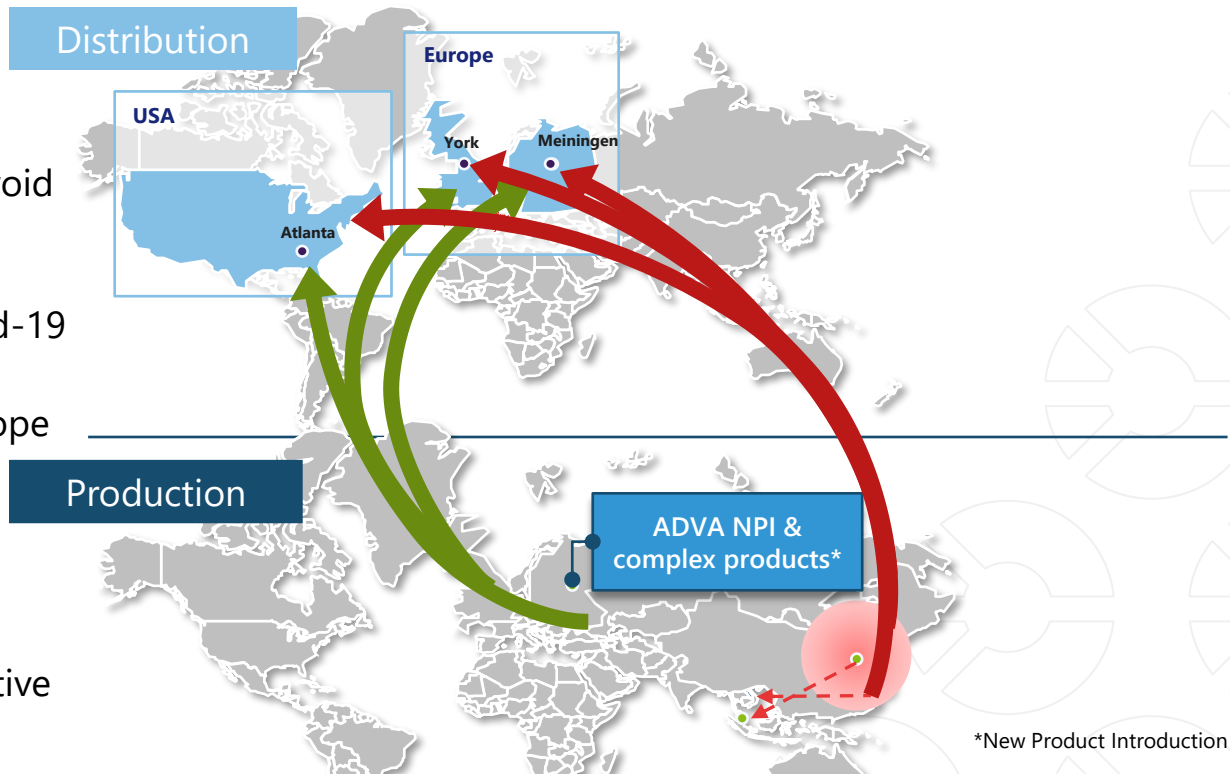
## Production and supply chain

# Production

- Shifting value creation from China to other countries to avoid US import duties
- Supply chains in China have recovered well since the Covid-19 outbreak in Wuhan
- Currently uncertainties in Europe and Southeast Asia

# Distribution

- Strict safety rules and requirements in our locations
- Preventive creation of alternative supply chains



## Our flexibility and agility have proven themselves – risks remain

# The world with and after Covid-19

Better connected – and greener

## Regionalization

Strategically important sectors and companies such as the supply of medicines, raw materials and food as well as communication and security technologies are organized less globally but more regionally

## Digitalization

In addition to e-commerce, e-learning and Industry 4.0 concepts, digital technologies are more broadly used in healthcare (telemedicine and software to monitor the health of the population)

## Sustainability

The subsidies raised during the crisis have the potential to steer economic behavior towards the achievement of climate targets



Secure communications infrastructure and sustainability – key themes for the future

# Leader in sustainability



## Science Based Targets initiative (SBTi)

- 2018: B- Rating (CO<sub>2</sub> emissions); Target A-
- 2019: CO<sub>2</sub> emission targets accepted by SBTi

Logistics optimization saves > 1 ktCO<sub>2</sub>e p.a. for the FSP 150 product line

Focus on CO<sub>2</sub> emissions

Increasing energy efficiency

Optimized logistics

Targets 2032

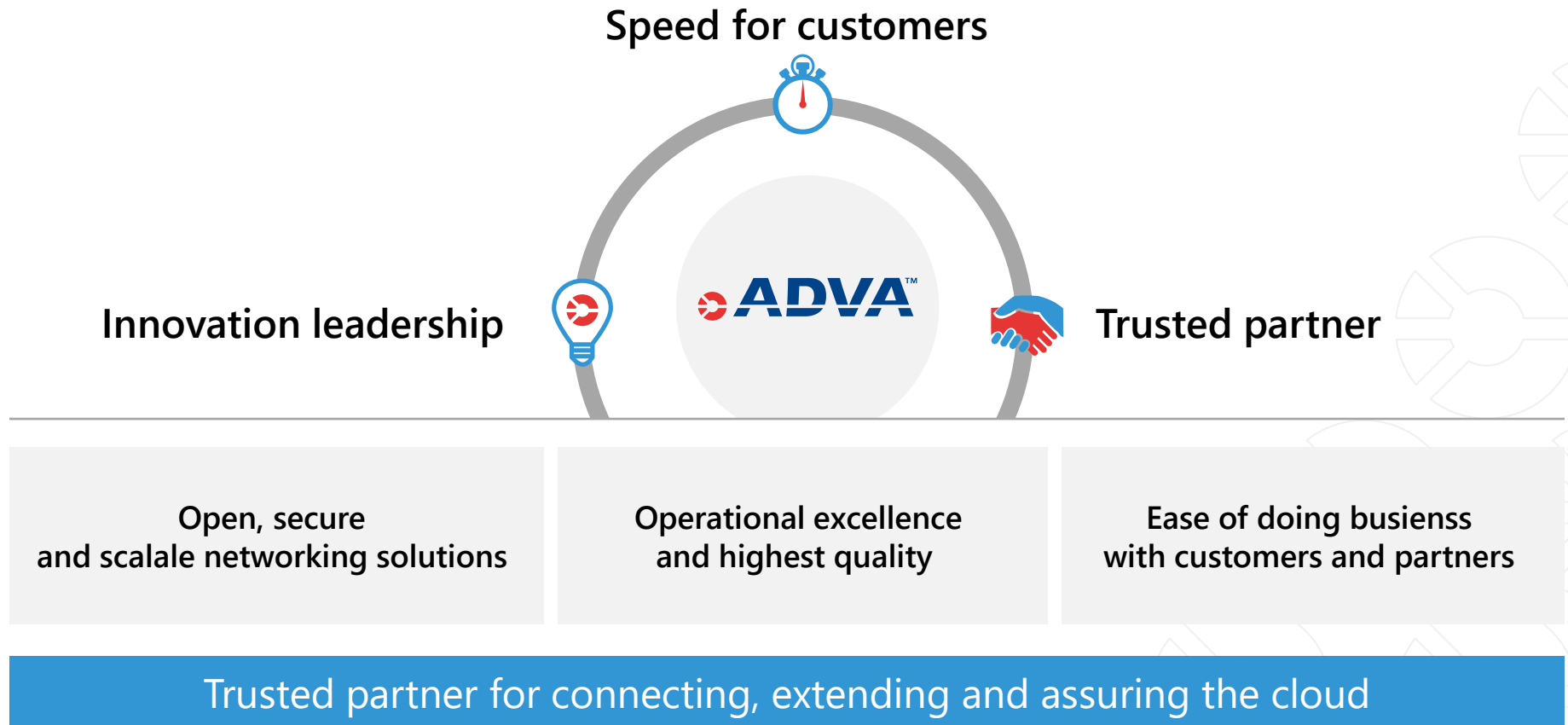


FSP 3000 TeraFlex™



- Car fleet emissions: 50% reduction
- Purchased electricity: 50% reduction
- ADVA lifecycle product emissions: 3% reduction of CO<sub>2</sub> emissions

# Our brand promise

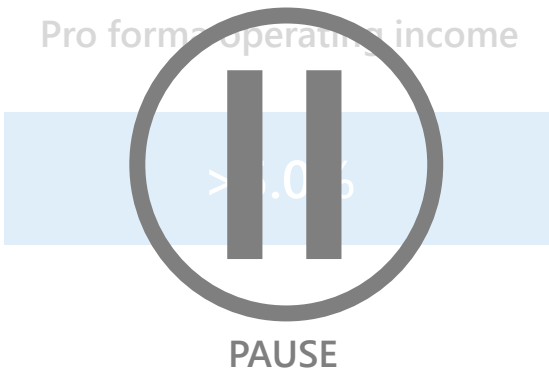
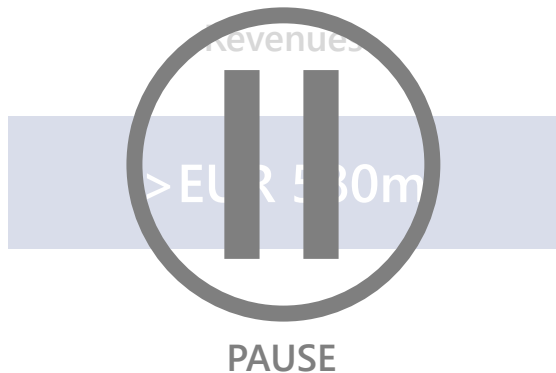




# Outlook



# Guidance



## Outlook

- Good order backlog, high uncertainties due to Covid-19 remain
- The main risks are supply shortages and a potential drop in demand due to a global recession
- Due to the uncertainties about the further course and the medium-term effects of the Covid-19 crisis, we have withdrawn the forecast for the current financial year effective April 23.

Guidance for fiscal year 2020 withdrawn until further notice



# Thank you

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