



Explanatory Report of the management board of ADVA Optical Networking SE

to the information in the (group) annual report 2020 pursuant to Section 289a and Section 315a Commercial Code (*Handelsgesetzbuch, HGB*)

According to Section 176 para. 1 subsec. 1 of the German Stock Corporation Act (*Aktiengesetz, AktG*), the management board has to make accessible to the general meeting an explanatory report on the information provided pursuant to Section 289a and Section 315a of the German Commercial Code. The aforementioned provisions of the German 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, 2021, ADVA Optical Networking SE has issued 50,496,692 no-par bearer shares of common stock (March 31, 2020: 50,181,966). 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 2020, 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 14.77% of the share capital of ADVA Optical Networking SE (at year-end 2019: 7,456,749 shares or 14.86% of the share capital). 5,930,902 shares or 11.75% of all outstanding shares (at year-end 2019: 5,930,902 shares or 11.82% 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 3.02% of all outstanding shares (at year-end 2019: 1,525,847 shares or 3.04% of all outstanding shares) directly from Egora Holding GmbH. Both Egora companies are based at Fraunhoferstraße 22 in 82152 Planegg-Martinsried, Germany. The difference between the percentage figures in the notification of December 8, 2017 from percentages stated here, is solely due to the fact that the basis of the notifications was a portfolio of issued voting rights amounting to 49,735,549 shares (December 31, 2020: 50,496,692 shares).

Moreover, according to the notification published on January 20, 2020, Teleios Global Opportunities Master Fund Ltd. based in Buckingham Square, 720 West Bay Road, Grand Cayman KY1-1104, Cayman Islands, held a total of 10,009,707 shares or 19.38% of the share capital of ADVA Optical Networking SE at the end of 2020 (at year-end 2019: 11,217,927 shares or 22.35% of all outstanding shares). According to the notification of January 20, 2020 these votes, held directly by Teleios Global Opportunities Master Fund, Ltd., shall - according to Sec. 34 WpHG - be attributed to Teleios Capital Partners LLC, based at Baarerstrasse 12, 6300 Zug, Switzerland, and to Mr. Igor Kuzniar. According to the voting rights notification published after the reporting date on January 26, 2021, Teleios Global Opportunities Masters Fund, Ltd. still held 6,329,789 shares or 12.54% of the share capital of ADVA Optical Networking SE on January 20, 2021, which are attributable to Teleios Capital Partners LLC and Mr. Igor Kuzniar.

According to the voting rights notification published March 8, 2021 the direct shareholding of Teleios Global Opportunities Master Fund, Ltd., which is also attributable to Teleios Capital Partners LLC and Mr. Igor Kuzniar, decreased to 4,829,857 shares or 9.56% of the share capital on March 1, 2021.

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 2020.

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 2020, 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 provisions of the SE-VO (Articles 39 para. 2, 46 para. 1 SE-VO), of the German Stock Corporation Act (Sections 84, 85 AktG in connection with Art. 9 para. 1 lit. c) (ii) SE-VO) as well as the provisions in Section 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 as his or her deputy. The supervisory board may revoke an already-effective appointment due to important reasons (Section 84 para. 3 AktG in conjunction with Art. 9 para. 1 lit. c) (ii) SE-VO). In fiscal year 2020, 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 para. 1 SE-VO, amendments to the articles of association generally require a resolution of the annual general meeting passed by a majority of not less than two-thirds of the votes cast, unless the legal provisions for public companies provide for or permit higher majorities. For amendments to the articles of association of an SE domiciled in Germany, pursuant to Section 179 para. 2 subsec. 1 AktG, a majority of at least three quarters of the share capital represented in the resolution is required. In line with the SE-VO, which always refers to the majority of the votes cast and not to the capital

majority (see Articles 57, 58, 59 SE-VO), the three-quarter majority requirement does not apply to the represented capital stock, but is 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.

The articles of association of ADVA Optical Networking SE do not make use of the possibility, by way of derogation from the articles of association, to allow a simple majority of votes for resolutions amending the articles of association, provided that at least half of the share capital is represented (Art. 59 (2) SE-VO in conjunction with Section 51 para. 1 SEAG).

In addition, the regulations of Section 4 para. 9 and Section 13 para. 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 change the wording of the articles of association in accordance with the scope of the capital increases from authorized capital and the entry into effect of conditional capital.

Issue and buy-back of shares

The rights of the management board to issue new shares are regulated in Section 4 para. 4 and para. 5k of the articles of association of ADVA Optical Networking SE. In accordance with the current articles of association 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 of 31 December 2020, 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.

In detail, the management board is initially authorized in accordance with Section 4 para. 4 of the current articles of association to issue the capital stock by May 21, 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 consent of the supervisory board, to exclude the subscription right in the case of capital increases against contributions in kind, provided that the shares issued during the term of this authorization with the exclusion of the subscription right of the shareholders against contributions in cash or in kind do not exceed a total of 20% of the share capital neither at the time this authorization becomes effective nor at the time this authorization is exercised.

In the case of capital increases against cash contributions, the shareholders must in principle be granted a subscription right to the new shares. The new shares are to be underwritten by at least one credit institution or at least one company operating in accordance with Section 53 para. 1 subsec. 1 or Section 53b para. 1 subsec. 1 or para. 7 of the German Banking Act (*Kreditwesengesetz*) with the obligation to offer them to the shareholders for subscription.

However, the management board is 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 during the term of this authorization under exclusion of the shareholders' subscription rights against cash contributions or contributions in kind do not

exceed a total of 20% of the share capital neither at the time this authorization becomes effective 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 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 a subscription right with regard to new 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 para. 3 subsec. 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 neither at the time this authorization becomes effective nor at the time this authorization is exercised. The following are to be counted towards the limit of 10% of the share capital:
 - treasury shares that are sold during the term of this authorization in accordance with the application of Section 186 para. 3 subsec. 4 AktG, excluding the subscription right of the shareholders, and
 - shares that are or are to be issued to service bonds with conversion or option rights if and to the extent that the bonds are issued with the exclusion of subscription rights during the term of this authorization in analogous application of Section 186 para. 3 subsec. 4 AktG.

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 - depending on the market - situation attractive financing options. In particular, by being able to issue new shares for the purpose of acquiring companies or stakes in companies against contributions in kind and thereby excluding shareholders' subscription rights up to an amount of 20% of the share capital, the company can carry out acquisitions without burdening liquidity .

In addition, as of December 31, 2020, a conditional capital of EUR 5,018,196 was registered with the commercial register (Contingent Capital 2011/I). The conditional 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. 314,726 new shares were already created in 2020 as a result of the exercise of stock options, but have been registered with 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 4,703,470 or 9.31% of the outstanding shares.

At yearend 2020, the management board was authorized to buy back up to a total of 10% of the existing share capital at the date of the resolution of the annual 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 May 22, 2019 until May 21 2024. These shares may be used for any legally permissible purpose, especially as 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 company's stock option and option bond programs as well as for the withdrawal of shares.

Provisions for changes of control as a result of a takeover bid

As of the end of 2020, ADVA Optical Networking SE has a bilateral loan with a nominal amount of EUR 10.0 million (repayable at maturity) and a syndicated loan with a nominal amount of EUR 53.0 million (repayable since June 2019 in semi-annual installments and a bullet payment at maturity) as financial liabilities. In addition, there were two undrawn credit lines of EUR 10.0 million and EUR 40.0 million under the syndicated loan as of the reporting date, the last of which no longer exists. In the event of a change of control over ADVA Optical Networking SE in connection with a potential takeover offer, the creditors of these loans have the right to terminate with immediate effect.

As of December 31, 2020, 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 2020 financial year.

Meiningen, in April 2021

ADVA Optical Networking SE
The Vorstand

Brian Protiva

Ulrich Dopfer

Christoph Glingener

Scott St. John