Quarterly statement 3M 2023

Open edge networking

Letter to the shareholders

Dear shareholders and business associates

We’re pleased to report a successful start to the 2023 fiscal year. Revenues in the first quarter were at record levels, and the operating result was satisfactory. The digitization and modernization of communications infrastructure, coupled with increased security awareness among European network operators, have given us strong market momentum.

Delivery capabilities are improving

In our 2022 Annual Report published in March, we discussed our order development and backlog, and described our supply chain challenges in detail. We outlined how shortages and insufficient availability of various components, especially from the semiconductor technology sector, as well as price increases by some suppliers, had adversely impacted our business performance in recent quarters. This was compounded by longer delivery times, higher energy prices and the resulting increase in transportation costs. Now, however, we’re seeing a gradual improvement in the overall situation. Energy costs have decreased, the availability of numerous components is improving, delivery times are becoming shorter again, and transport capacities are more readily available. While this is undoubtedly enhancing our ability to deliver, we are also noticing a change in ordering behavior among some customers. In the area of network termination in particular, which is technologically less sophisticated and has traditionally had shorter delivery times, inventories are being reduced and demand is somewhat weakening. We anticipate a correction in inventories as a response to improved supply chains and expect this to continue throughout the fiscal year.

Integration with Adtran proceeding according to plan

Following registration of the domination agreement by Adtran Holdings, Inc. in January 2023, we have been able to actively drive forward the integration of our two companies. We’re proud to report significant progress, including the unification of our IT systems and the formation of joint employee teams. We can also share that our cross-selling efforts have yielded impressive results: a large number of Adtran customers are interested in the ADVA portfolio, and vice versa. In more than 20 cases, orders have already been placed for the other portfolio, and the number continues to grow. Our business combination uniquely positions us to address emerging requirements, particularly with regard to the convergence of solutions at the network edge. Adtran’s global leadership in residential fiber-to-the-home and local loop solutions complements our own leadership in enterprise data center interconnection, business Ethernet and fiber-to-the-building, metro WDM, and network synchronization solutions. Together, we offer an unparalleled breadth of expertise and solutions that will benefit our customers across a wide range of industries.

Moving into the regulated market

At this point, I would also like to inform you about an administrative change. On April 18, the management board of ADVA Optical Networking SE decided to apply for a revocation of the admission of the shares to the Prime Standard of the Frankfurt Stock Exchange. The admission of ADVA shares to the regulated market (General Standard) remains unaffected. The segment change and the associated elimination of the extended back-office duties are intended to reduce complexity and realize cost savings. The change to the General Standard will become effective three months after publication of the revocation decision by the management board of the Frankfurt Stock Exchange on the Deutsche Börse website (www.deutsche-boerse.com).

Outlook

Our revenues in the first quarter of 2023 were at record levels, and although the usual seasonal factors reduced our margins somewhat, the operating result was also satisfactory. The gradual return to normality in our supply chains is steadily improving our delivery capabilities. However, shorter delivery times and better availability are also leading to changes in our customers’ ordering behavior and a willingness to reduce risk inventories. While this is likely to continue in the coming quarters, we anticipate stable business development overall, with a very strong order backlog and public funding programs fueling the digitization of ecosystems and the expansion of communication networks in many regions and countries. Furthermore, the use of communications technology from China is being actively reduced, especially among Western European network operators, creating additional opportunities for Western network equipment suppliers such as ADVA. This environment will continue to have a very positive impact on demand for our products in the medium term.

Despite all of the geopolitical upheaval and tension, we’re cautiously optimistic about the future and will continue to invest all our energy and creativity in innovative solutions for the benefit of our customers, shareholders and employees.

May 8, 2023

Christoph Glingener

Chief executive officer

IFRS financial highlights Q1 2023

Income statement

(in thousands of EUR, except earnings per share and ratios)	Q1 2023	Q1 2022	Change
Revenues	179,358	170,498	5 %
Pro forma EBIT *)	9,730	7,812	25 %
Pro forma EBIT margin in %	5.4	4.6	0.8 pp
Operating income (loss)	6,227	5,976	4 %
Operating margin in %	3.5	3.5	0 pp
Net income (loss)	3,627	6,179	(41)%
Diluted earnings per share in EUR	0.07	0.12	(42)%

Cash flow statement

(in thousands of EUR)	Q1 2023	Q1 2022	Change
Cash flow from operating activities	11,776	(12,723)	(193)%
Cash flow from investing activities	(15,670)	(22,039)	(29)%

Balance sheet and financial ratios

(in thousands of EUR, except ratios)	Mar. 31, 2023	Dec. 31, 2022	Change
Financial liabilities to Adtran	62,006	—	n/a
Liabilities to banks	10,000	56,430	(82)%
Lease liabilities	19,531	21,202	(8)%
Financial debt	**91,537**	**77,632**	**18 %**
Cash and cash equivalents	67,241	58,447	15 %
Net cash (debt) *)	**(24,296)**	**(19,185)**	**(27)%**
Net working capital *)	212,270	207,014	3 %
Working capital ratio in % *)	29.2	26.4	2.8 pp
Equity	370,573	369,080	0 %
Equity ratio in %	56.1	57.0	(0.9) pp
Capital employed *)	415,776	414,037	— %
ROCE in % *)	4.4	4.4	0 pp

Employees

(at period end)	Mar. 31, 2023	31. Dez. 2022	Change
	2,001	2,014	(1)%

***) The ratios are defined in the glossary at the end of this document.**

Results of operations, net assets and financial position

Business development and operational performance

Revenue development and revenues by region

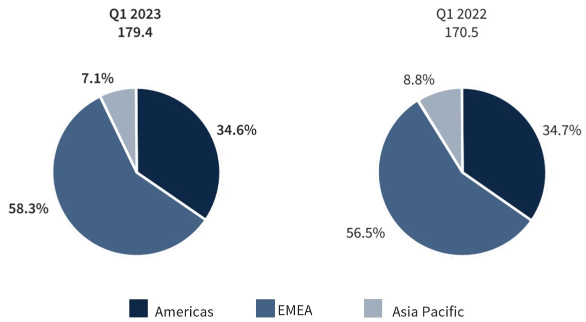
Revenues represent one of the four key performance indicators for ADVA. The group's revenues in Q1 2023 amounted to EUR 179.4 million and were EUR 8.9 million or 5.2 % above revenues of EUR 170.5 million in Q1 2022. Compared to revenues of EUR 195.7 million in Q4 2022, revenues in Q1 2023 decreased by 8.3 %. The increase in revenues compared to Q1 2022 is largely driven by WDM business and the fulfilment of orders on backlog. The decrease compared to the previous quarter was attributable to supply constraints and reduced ordering for Ethernet products.

In Q1 2023, EMEA (Europe, the Middle East and Africa) was once again the largest contributing sales region, followed by Americas and Asia-Pacific.

Year-on-year, sales in EMEA increased to EUR 104.6 million in Q1 2023 compared to EUR 96.4 million in Q1 2022 and represented 58.3% of total revenues in Q1 2023 after 56.5 % in the prior-year quarter. ADVA has a broad, loyal customer base in many countries throughout this region and is achieving very good results. Demand was seen across all customer groups.

Revenues in Americas significantly increased by 4.7% from EUR 59.2 million in Q1 2022 to EUR 62.0 million in Q1 2023. The increase compared to the prior-year quarter is particularly due to strong Oscilloquartz and Ethernet sales.

In Asia-Pacific, revenue decreased by 14.8% from EUR 15.0 million in Q1 2022 to EUR 12.7 million in Q1 2023. Demand was primarily driven by network operators and enterprise customers.



Results of operations

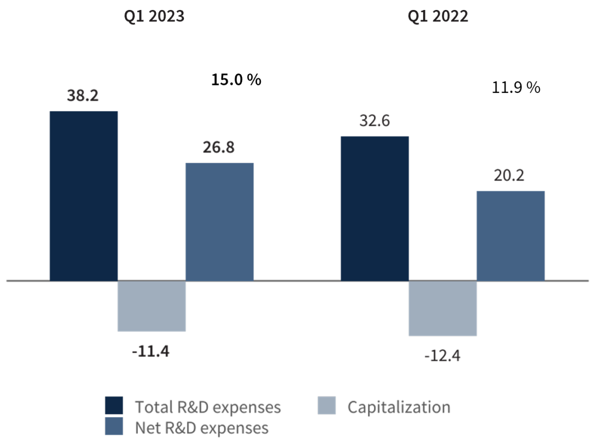
(in millions of EUR, except earnings per share)	Q1 2023	Portion of revenues	Q1 2022	Portion of revenues
Revenues	**179.4**	**100.0 %**	**170.5**	**100.0 %**
Cost of goods sold	(121.5)	67.7 %	(117.6)	69.0 %
Gross profit	**57.9**	**32.3 %**	**52.9**	**31.0 %**
Selling and marketing expenses	(18.4)	10.3 %	(18.2)	10.7 %
General and administrative expenses	(8.3)	4.6 %	(9.9)	5.8 %
Research and development expenses	(26.8)	15.0 %	(20.2)	11.9 %
Other operating income and expense, net	1.9	1.0 %	1.4	0.8 %
Operating income (loss)	**6.2**	**3.5 %**	**6.0**	**3.5 %**
Interest income and expenses, net	(0.8)	0.4 %	(0.3)	0.2 %
Financial gains and losses, net	(1.8)	1.0 %	1.1	0.7 %
Income (loss) before tax	**3.7**	**2.1 %**	**6.8**	**4.0 %**
Income tax benefit (expense), net	(0.1)	— %	(0.6)	0.4 %
Net income (loss)	**3.6**	**2.0 %**	**6.2**	**3.6 %**
Earnings per share in EUR				
basic	0.07		0.12	
diluted	0.07		0.12	

Cost of goods sold increased by EUR 3.9 million to EUR 121.5 million in Q1 2023. In Q1 2023, cost of goods sold included EUR 9.8 million (Q1 2022: EUR 11.2 million) of amortization of capitalized development projects.

Gross profit improved from EUR 52.9 million in Q1 2022 to EUR 57.9 million in Q1 2023, with gross margin at 32.3 % in Q1 2023 also above the 31.0 % reported in Q1 2022. The increase in the gross margin in Q1 2023 compared with Q1 2022 results in particular from higher sales with a proportionally smaller increase in the cost of sales.

Within operating costs, sales and marketing expenses in Q1 2023 of EUR 18.4 million were slightly above the prior-year number of EUR 18.2 million in Q1 2022. They amounted to 10.3 % and 10.7 % of revenues.

General and administrative expenses of EUR 8.3 million in Q1 2023 decreased compared to EUR 9.9 million in Q1 2022 and amounted to 4.6 % and 5.8 % of revenues, respectively.



At EUR 26.8 million in Q1 2023, R&D expenses were significantly above the EUR 20.2 million seen in Q1 2022, comprising 15.0 % and 11.9 % of revenues, respectively. Gross R&D expenses increased to EUR 38.2 million in Q1 2023 compared to EUR 32.6 million reported in Q1 2022, while income from capitalization of development expenses decreased from EUR 12.4 million in Q1 2022 to EUR 11.4 million in Q1 2023. The capitalization rate in Q1 2023 amounted to 29.7 %, clearly down from 38.0 % reported in Q1 2022.

ADVA's research and development activities are driven by the distinct emphasis on differentiating its innovative connectivity solutions for cloud and mobile services and working with customers and partners to identify and meet their current and future needs. The resulting key technologies and products simplify complicated existing network structures and supplement existing solutions.

ADVA's operating income was slightly up from EUR 6.0 million in Q1 2022 to EUR 6.2 million in Q1 2023. In the current quarter, the increase in gross margin was offset in particular by a substantial rise in R&D expenses.

Pro forma EBIT represents one of the four key performance indicators for ADVA. As pro forma EBIT excludes non-cash charges related to stock compensation and business combinations as well as non-recurring expenses related to M&A transactions and restructuring measures. The management board of ADVA believes that pro forma EBIT is a more appropriate measure than operating income when benchmarking the group's operational performance against other telecommunications equipment providers. In Q1 2023, ADVA reported a pro forma EBIT of EUR 9.7 million after a pro forma EBIT of EUR 7.8 million in Q1 2022, representing positive 5.4 % after positive 4.6 % of revenues, respectively.

The reconciliation of operating income (loss) to pro forma EBIT is as follows:

(in millions of EUR)	Q1 2023	Q1 2022
Operating income (loss)	**6.2**	**6.0**
Expenses related to share-based compensation	1.0	0.4
Amortization of intangible assets from business combinations	0.9	0.9
Expenses related to restructuring measures	1.3	—
Expenses related to M&A transactions	0.3	0.5
Pro forma EBIT	**9.7**	**7.8**

Beyond the operating result net income in Q1 2023 is impacted by net interest expenses of EUR 0.8 million (Q1 2022: EUR 0.3 million), which includes interest effects from lease accounting of EUR 0.1 million (Q1 2022: EUR 0.2 million). Furthermore, net financial losses of EUR 1.8 million (Q1 2022: net financial gains of EUR 1.1 million) relating to the revaluation of foreign currency assets and liabilities and the result on hedging instruments, impacted the net income in Q1 2023.

In Q1 2023, the group reported an income tax expense of EUR 0.1 million after an income tax expense of EUR 0.6 million in Q1 2022. In both periods income tax effects result from the application of the expected tax rate to the relevant income before tax of the respective entity of the ADVA group.

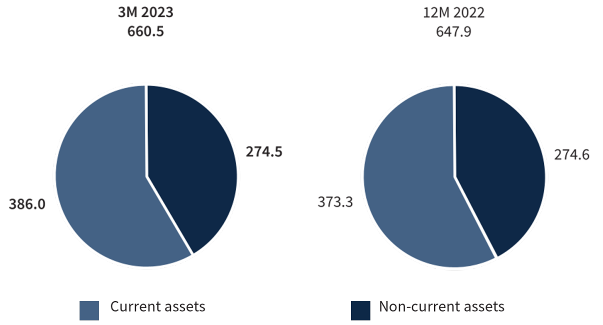
Summary: Business development and operational performance

In Q1 2023, ADVA recorded an increase in revenues compared to the same quarter in the previous year with an improved gross margin at the same time. However, due to the higher operating expenses and a negatvie financial result ADVA reports a significantly declined net profit of EUR 3.6 million in the current period compared to a net profit of EUR 6.2 million in Q1 2022.

Net assets and financial position

Balance sheet structure

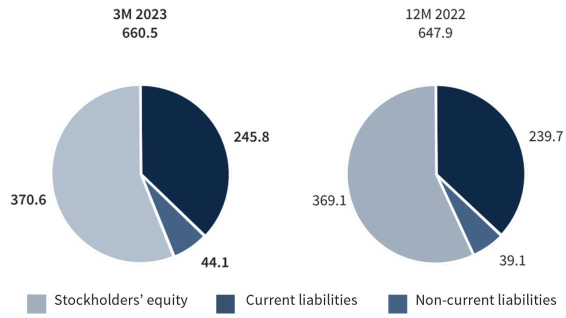
ADVA's total assets increased by EUR 12.6 million from EUR 647.9 million at the end of 2022 to EUR 660.5 million at the end of March 2023.



Current assets amounted to EUR 386.0 million at the end of Q1 2023, EUR 12.7 million higher than the corresponding figure of EUR 373.3 million at the end of 2022 and accounted for 58.4 % and 57.6 % of total assets at these reporting dates, respectively. The increase in current assets was mainly due to the increase in cash and cash equivalents to EUR 67.2 million. This results in particular from the cash inflow from financing activities presented in the cash flow section. At the same time, trade receivables increased from EUR 123.7 million on December 31, 2022 to EUR 126.5 million at the end of Q1 2023 and DSOs increased from 55 days in 12M 2022 to 63 days in Q1 2023. On the other hand, inventories decreased from EUR 170.3 million on December 31, 2022 to EUR 167.2 million at the end of Q1 2023. In Q1 2023 Inventory turns amounted to 2.9 x compared to the value in 12M 2022 of 3.1 x.

Non-current assets at EUR 274.5 million at the end of Q1 2023 remained stable compared to EUR 274.6 million reported at year-end 2022. Non-current assets include in particular capitalized development projects and goodwill of EUR 100.1 million and EUR 70.2 million, respectively (at year-end 2022: EUR 98.0 million and EUR 71.3 million, respectively).

Meaningful additional assets belonging to ADVA are the broad and global customer base of several hundred service providers and thousands of enterprises, the ADVA, Oscilloquartz and Ensemble brands, the vendor and partner relationships and a highly motivated and skilled global team. These assets are not recognized in the balance sheet. Customer satisfaction as measured by the net promoter score represents one of the group’s four key performance indicators. Further information on the development of the Net Promoter Score is presented in the Annual Report 2022.



On the equity and liabilities side, current liabilities increased by EUR 6.1 million from EUR 239.7 million on December 31, 2022 to EUR 245.8 million on March 31, 2023. This increase is primarily attributable to the granting of a loan by Adtran in the amount of EUR 62.0 million. At the same time, current liabilities to banks decreased significantly by EUR 46.4 million to EUR 10.0 million. Trade payables amounted to EUR 81.4 million at the end of Q1 2023, EUR 7.3 million lower than the EUR 88.7 million reported at the end of December 2022. In Q1 2023, DPOs amounted to 63 days compared to 65 days in 12M 2022. Other current liabilities decreased significantly by EUR 16.1 million to EUR 28.5 million as of March 31, 2023, in particular due to the payment of variable employee compensation components for 2022 in Q1 2023. Current contract liabilities amounted to EUR 34.7 million as of March 31, 2023, compared to EUR 21.2 million reported at year-end 2022.

Non-current liabilities of EUR 44.1 million at the end of Q1 2023 increased from the EUR 39.1 million reported at the end of 2022.

Stockholders' equity slightly increased from EUR 369.1 million reported on December 31, 2022, to EUR 370.6 million on March 31, 2023. The equity ratio was at 56.1 % on March 31, 2023, after 57.0 % on December 31, 2022, while the non-current assets ratio amounted to 135.0 % and 134.4 %, respectively, with stockholders' equity fully covering the non-current assets.

Capital expenditures

Capital expenditures for additions to property, plant and equipment in Q1 2023 amounted to EUR 4.0 million, down from the EUR 4.4 million seen in Q1 2022.

Capital expenditures for intangible assets of EUR 11.8 million in Q1 2023 were significantly down from EUR 17.6 million in Q1 2022. This total consists of capitalized development projects of EUR 11.4 million in Q1 2023 after EUR 12.4 million in Q1 2022 and capital expenditures for other intangible assets of EUR 0.4 million in Q1 2023 after EUR 5.2 million in Q1 2022. The investments in other intangible assets in Q1 2022 included in particular the capitalization of a joint development.

Cash flow

Cash flow from operating activities was positive EUR 11.8 million in Q1 2023, after negative EUR 12.7 million in Q1 2022. While profit before tax in Q1 2023 was down year-on-year, the same period included a higher cash inflow from net working capital.

Cash flow from investing activities amounted to negative EUR 15.7 million in Q1 2023 after negative EUR 22.0 million in Q1 2022. The clearly decreased use of funds for investing activities is largely due to lower investments in intangible assets as described in the capital expenditure section above.

Finally, net cash inflow of EUR 13.7 million were reported from financing activities in Q1 2023, after cash outflows of EUR 1.4 million from financing activities in Q1 2022.The inflow of funds in the current year takes into account in particular the granting of a loan by Adtran. The inflow of funds was used for the repayment of existing liabilities to banks. The cash outflow in the prior-year quarter includes in particular scheduled interest payments for bank loans and payments for lease liabilities.

Overall, including the net effect of foreign currency translation of negative EUR 1.0 million, cash and cash equivalents significantly increased by EUR 8.8 million, from EUR 58.4 million at the end of December 2022 to EUR 67.2 million on March 31, 2023. In Q1 2022, cash and cash equivalents had increased by EUR 36.0 million.

With the exception of local currency regulations for cash and cash equivalents in China amounting to EUR 4.3 million, there were no significant restrictions at the end of the quarter.

Financing and liquidity

ADVA's financial management is performed centrally by ADVA Optical Networking SE. Its objective is to provide sufficient funds to ensure ongoing operations and to support the group's projected growth. Beyond the strong equity base appropriate for the business, ADVA finances its business by means of liabilities with maturities typically exceeding the useful life of the assets being financed. For any liability taken, ADVA is focused on minimizing related interest cost, as long as access to funds is not at risk. Excess funds are generally used to redeem liabilities.

Total financial debt increased by EUR 13.9 million to EUR 91.5 million at the end of Q1 2023. Liabilities to banks decreased significantly to EUR 10.0 million from EUR 56.4 million reported at the previous year-end. Since Q1 2023, ADVA Group has been financed by a loan from Adtran. At the end of March 2023, ADVA reported a financial liability to Adtran in the amount of EUR 62.0 million. The current as well as the non-current portion of liabilities from leasing decreased by EUR 0.3 million to EUR 5.3 million and by EUR 1.4 million to EUR 14.2 million, respectively.

On March 31, 2023, the group had utilized a committed borrowing facility of EUR 15.0 million in the amount of EUR 10.0 million (on December 31, 2022: committed borrowing facilities in the amount of EUR 33.5 million were fully utilized).

Net cash represents one of the four key performance indicators for ADVA. Mainly due to the previously described increase in financial liabilities overcompensating the increase in cash and cash equivalents net debt increased from EUR 19.2 million at the end of 2022 to EUR 24.3 million in Q1 2023. Cash and cash equivalents on March 31, 2023, and on December 31, 2022, were invested mainly in EUR, USD and GBP.

Return on capital employed was at 4.4% in Q1 2023 as well as in 12M 2022.

Summary: Net assets and financial position

Despite the   increase in net debt at the end of Q1 2023, ADVA's net assets and financial position remains strong. The equity ratio fat 56.1 % at the end of March 2023 only slightly decreased compared to 57.0 % reported at the end of 2022.

Outlook

Considering the continuing difficult external environment, ADVA has had a very good start into the new fiscal year 2023. ADVA increased revenues by 5.2% year-over-year to EUR 179.4 million. This was the highest revenue the company has generated in the first quarter of a year. With a pro forma EBIT margin of 5.4%, Q1 2023 profitability was 0.8 percentage points higher compared to Q1 2022.

The Company's liquidity continues to be affected by increased inventories. However, these were reduced slightly compared to the previous quarter from EUR 170.3 million to EUR 167.2 million. The Company's capital structure has changed substantially. A significant part of ADVA's existing financing was replaced by a loan from the Group's parent company Adtran in the amount of EUR 62 million. In addition, there is only one revolving credit line with NordLB, of which EUR 10 million was utilized as of the reporting date.

In light of the global semiconductor crisis, the management board expects a recovery of the supply chains in the course of 2023. For the full year 2023, there are thus still high supply risks and increased cost levels. In addition, the Management Board sees short-term risks on the demand side, as delivery times have already been reduced and customers are actively managing their own inventories. Nevertheless, the macro environment remains positive for ADVA and the merger with Adtran offers numerous opportunities. This is taking place at a time when our industry is at the peak of its momentum. Digitization has taken center stage in both politics and business, and the need for secure and a high-performance communications infrastructure has never been greater. We live in an era of mobile working, e-learning and video conferencing increasingly replacing face-to-face offices, classrooms and meeting rooms. Business travel and in-person meetings are being supplemented by virtual meetings, and a new hybrid form of communication has taken hold. The pandemic has highlighted the need to leverage new forms of human interaction, and digital solutions have ensured business continuity under challenging conditions. Communications networks have become the backbone of economies and are now considered a valuable strategic asset. This new mindset continues to drive demand for network technology and is supported by various government incentives and funding programs around the world.

With the investments of the past years, ADVA has comprehensively prepared itself technologically for the transformation of networks with the aspects of cloud, mobility, 5G, automation and security. In addition to the high-quality performance features of optical data transmission, precise network synchronization technology and programmable cloud access solutions, the service portfolio also delivers increasing added value. ADVA develops, produces and delivers communication technology for the digital future. The total addressable market for the company was estimated by industry analysts to be circa USD 11.3 billion* in 2022 and is expected to grow to USD 13.5 billion by 2026, although the potential additional opportunities from the shift in demand from Asian (especially Huawei) to European manufacturers are not quantified here.

Against the backdrop of the aforementioned factors and considering the planning parameters, personnel and exchange rates, the executive board expects year-on-year increasing sales revenue in the high-single digit to low-double digit percentage range. In addition, the executive board expects that pro forma EBIT in 2023 will exceed 2022 levels. The company's goal is a rapid debt reduction and consistent adherence to the defined capital management objectives described in Note (34) to the 2022 consolidated financial statements. For the financial year 2023, the executive board expects net liquidity in the mid-double-digit million range.

The group will continue to selectively invest in product development, technology and revenue-generating opportunities. In addition, the management board expects, due to the continued focus on innovation, quality and service, that customer satisfaction measured by the net promoter score will once again be at high positive levels of at least 40 %. Actual results may differ materially from expectations if risks materialize or the underlying assumptions prove unrealistic. The major risks facing ADVA are discussed in the “risk and opportunity report” section.

Consolidated statements of financial position as of March 31, 2023 (unaudited)

(in thousands of EUR)	Mar. 31, 2023	Dec. 31, 2022
Current assets		
Cash and cash equivalents	67,241	58,447
Trade accounts receivable	126,501	123,651
Thereof receivables from Adtran	—	*198*
Contract assets	241	248
Inventories	167,191	170,289
Tax assets	3,014	2,673
Other current assets	21,833	18,020
Total current assets	**386,021**	**373,328**
Non-current assets		
Right-of-use assets	16,542	18,634
Property, plant and equipment	36,050	35,911
Goodwill	70,196	71,307
Capitalized development projects	100,079	97,975
Intangible assets acquired in business combinations	7,475	8,519
Other purchased and internally generated intangible assets	19,713	19,604
Deferred tax asset	18,309	16,535
Other non-current assets	6,105	6,099
Total non-current assets	**274,469**	**274,584**
Total assets	**660,490**	**647,912**

(in thousands of EUR)	Mar. 31, 2023	Dec. 31, 2022
Equity and liabilities		
Current liabilities		
Current lease liabilities	5,343	5,648
Current financial liabilites to Adtran	62,006	—
Current liabilities to banks	10,000	56,430
Trade accounts payable	81,422	88,713
Thereof payables to Adtran	*1,609*	*1,985*
Current provisions	18,000	17,331
Tax liabilities	5,248	5,248
Current contract liabilities and advance payments	34,663	21,188
Refund liabilities	616	506
Other current liabilities	28,505	44,647
Total current liabilities	**245,803**	**239,711**
Non-current liabilities		
Non-current lease liabilities	14,188	15,554
Non-current liabilities to bank	—	—
Provisions for pensions and similar employee benefits	5,726	5,550
Other non-current provisions	1,807	1,769
Deferred tax liabilities	4,791	2,869
Non-current contract liabilities	12,738	8,622
Other non-current liabilities	4,864	4,757
Total non-current liabilities	**44,114**	**39,121**
Total liabilities	**289,917**	**278,832**
Stockholders' equity entitled to the owners of the parent company		
Share capital	52,005	52,005
Capital reserve	333,514	333,531
Accumulated deficit	(16,984)	(35,116)
Net income	3,627	18,132
Accumulated other comprehensive income	(1,589)	528
Total stockholders' equity	**370,573**	**369,080**
Total equity and liabilities	**660,490**	**647,912**

Consolidated income statements
for the period from January 1 to March 31, 2023 (unaudited)

(in thousands of EUR, except earnings per share and number of shares)	Q1 2023	Q1 2022
Revenues	**179,358**	**170,498**
Cost of goods sold	(121,494)	(117,564)
Gross profit	**57,864**	**52,934**
Selling and marketing expenses	(18,406)	(18,187)
Thereof net impairment results on financial assets	*46*	*26*
General and administrative expenses	(8,261)	(9,896)
Research and development expenses	(26,833)	(20,231)
Other operating income	1,905	1,656
Other operating expenses	(42)	(300)
Operating income	**6,227**	**5,976**
Interest income	64	22
Interest expenses	(861)	(339)
Foreign currency exchange gains	5,961	3,549
Foreign currency exchange losses	(7,713)	(2,417)
Other financial gains	—	—
Other financial losses	—	—
Income before tax	**3,678**	**6,791**
Income tax benefit (expense), net	(51)	(612)
Net income entitled to the owners of the parent company	**3,627**	**6,179**
Earnings per share in EUR		
basic	0.07	0.12
diluted	0.07	0.12
Weighted average number of shares for calculation of earnings per share		
basic	52,004,500	51,445,892
diluted	52,056,589	52,733,451

Consolidated cash flow statements (unaudited)

(in thousands of EUR)	Q1 2023	Q1 2022
Cash flow from operating activities		
Income before tax	3,678	6,791
Adjustments to reconcile income before tax to net cash provided by operating activities		
Non-cash adjustments		
Amortization of non-current assets	15,892	17,930
Loss from disposal of property, plant and equipment and intangible assets	6	59
Stock compensation expenses	974	398
Other non-cash income and expenses	348	324
Foreign currency exchange differences	383	(233)
Changes in asset and liabilities		
Decrease (increase) in trade accounts receivable	(3,041)	(16,302)
Decrease (increase) in inventories	3,098	(987)
Decrease (increase) in other assets	(3,684)	(461)
Increase (decrease) in trade accounts payable	(6,915)	(18,160)
Increase (decrease) in provisions	696	7,233
Increase (decrease) in other liabilities	751	(8,000)
Income tax paid and refunded	(410)	(1,315)
Net cash provided by operating activities	**11,776**	**(12,723)**
Cash flow from investing activities		
Investments in property plant and equipment	(3,958)	(4,394)
Investments in intangible assets	(11,775)	(17,647)
Interest received	63	2
Net cash used in investing activities	**(15,670)**	**(22,039)**
Cash flow from financing activities		
Proceeds from capital increase and exercise of stock options	—	—
Repayment of lease liabilities	(1,671)	(1,225)
Proceeds from financial liabilities to Adtran	64,617	—
Cash repayment of financial liabilities to Adtran	(2,333)	—
Proceeds from liabilities to banks	10,000	—
Cash repayment of liabilities to bank	(56,500)	—
Interest paid	(424)	(174)
Net cash used in financing activities	**13,689**	**(1,399)**
Net effect of foreign currency translation on cash and cash equivalents	(1,001)	176
Net change in cash and cash equivalents	**8,794**	**(35,985)**
Cash and cash equivalents on January 1	58,447	108,987
Cash and cash equivalents on March 31	**67,241**	**73,002**

Financial calendar

Annual shareholders' meeting	May 24, 2023 Munich, Germany
Publication of six-month report 2023	August 8, 2023 Martinsried/Munich, Germany

Forward-looking statements

This document contains forward-looking statements using 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 are based on the beliefs of the management board and respective assumptions made, and involve a number of unknown risks, uncertainties and other factors, many of which are beyond ADVA’s control. If one or more of these uncertainties or risks materializes, or if the underlying assumptions of the management board prove incorrect, actual results can differ materially from those described in or inferred from forward-looking statements and information. ADVA's supply chain has been affected by the global semiconductor crisis: component delivery times have increased significantly and, despite many countermeasures, ADVA's delivery times to customers are also increasing. Although potential future component bottlenecks are systematically identified and analyzed, and supply chain management actively counteracts them, the risk remains that not all customers can be supplied within a timeframe that is satisfactory to them. In addition, the management board sees short-term risks on the purchasing side, as delivery times have already been reduced and customers are actively managing their own inventories. There is therefore a risk that customers will currently order less and reduce their inventories. All risks and uncertainties remain unchanged and are explained in the "risk and opportunity report" section of the Group Management Report 2022.

Glossary

Capital employed

The capital employed is the difference between the average balance sheet total and the average current liabilities of the previous 12M period, calculated as the arithmetic average of the quarterly balance sheet date values.

DPO (days payable outstanding)

The key figure indicates the average number of days between receipt of invoice and outgoing payment.

DSO (days sales outstanding)

The key figure describes the average number of days between invoicing and receipt of payment.

Net cash

Net cash is calculated by subtracting financial debt comprising of current and non-current liabilities to banks and third-parties and current and non-current lease liabilities according to IFRS 16 Leases from cash and cash equivalents. A negative calculation result is referred to as net debt .

Net promoter score (NPS)

The NPS is obtained by asking customers a single question on a 0 to 10 rating scale: “How likely is it that you would recommend our company to a friend or colleague?”. Based on their responses, customers are categorized into one of three groups: promoters (9–10 rating), passives (7–8 rating), and detractors (0–6 rating). The percentage of detractors is then subtracted from the percentage of promoters to obtain a net promoter score.

Pro forma EBIT

Pro forma EBIT 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 M&A and restructuring measures are not included.

ROCE (return on capital employed)

ROCE is the operating result for the previous 12M period divided by the capital employed.

Working capital

Working capital is defined as the total of trade accounts receivable and inventories less trade accounts payable.

Working capital ratio

The working capital ratio shows the net working capital on the balance sheet date in relation to the revenues of the current period.

Impressum

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ADVA on the web

More information about ADVA, including solutions, technologies and products, can be found on the company's website at www.adva.com.

PDF files of this quarterly report, as well as previous quarterly and annual reports, presentations and general investor information, are also located on the company's website and can be downloaded in both English and German. Quarterly conference calls are conducted on the day of earnings announcements. Related PDF, audio and transcript files are available for download in the investor relations section of the company's website, www.adva.com.

Investor communication

To receive an investor packet, request other information, ask specific questions, or be placed on the distribution list, please contact:

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Disclaimer:

Potential inconsistencies in the table values are based on rounding differences.