



ADVA Optical Networking Investor Presentation

Q3 2016

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 2015.

CONSOLIDATED PRO FORMA FINANCIAL RESULTS

ADVA Optical Networking 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 Optical Networking’s operating results from one financial period to another. ADVA Optical Networking 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 History

Foundation of the company



Going public

- FSE: ADV



Going global

- Expansion in North America
- Revenue >USD 250 million



Scaling the business

- >1500 employees
- Revenue >USD 500 million
- Award winning supply chain



1994

1999

2000

2006

2010

2013

2016

2020



First product

- Metro-WDM for enterprise DCI



Adding Ethernet

- First fiber-based Ethernet services



Portfolio expansion

- Optical+Ethernet
- Network automation



Strategic acquisitions

- Synchronisation
- Software and virtualization

Open connectivity solutions for a connected world

ADVA Optical Networking Today



Our NUMBERS

>€500 million revenue¹
1,731 employees²

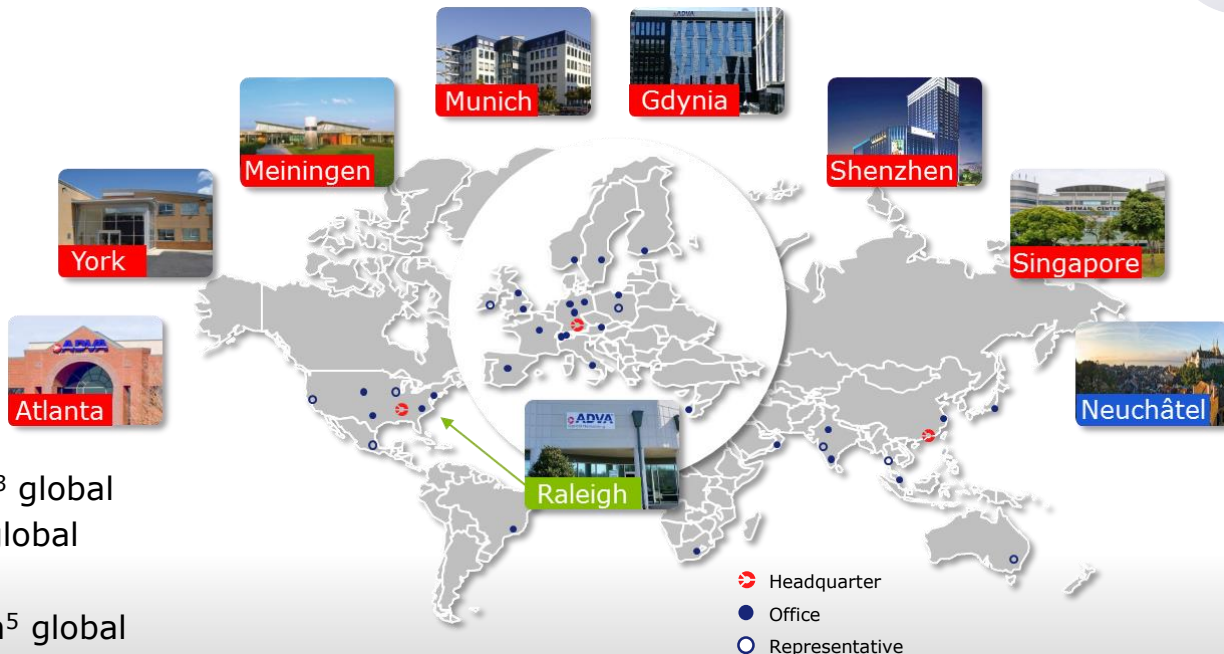
Our CUSTOMERS

Hundreds of carriers
Thousands of enterprises

Our LEADERSHIP

- #1 Ethernet access devices³ global
- #1 Metro DCI⁴ (ICP/CNP)* global
- #1 Enterprise DCI⁴ global
- #2 Network synchronization⁵ global

* Internet Content Provider and Carrier Neutral Provider



Network innovator – Speed for customers – Trusted partner

1) Analyst consensus for 2016; 2) Status Sept. 30, 2016; 3) IHS Infonetics Research; 4) Data Center Interconnect – Source: Ovum;
5) ADVA Optical Networking internal estimates

Our Broad Customer Base

Service Providers



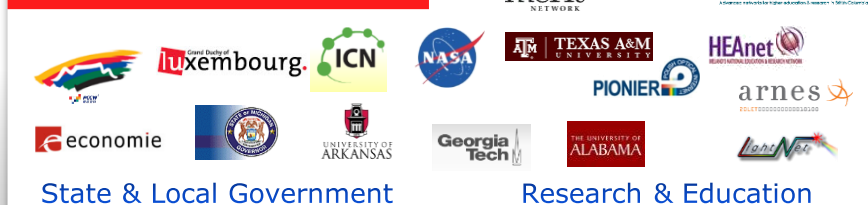
Enterprises



Internet & Cloud



Government & Education



Global success with open connectivity solutions

Our Strategy

Innovation leadership

Speed for customers

Trusted partner

Open connectivity solutions

- Differentiated technology
- Network-level applications
- Market-leading scalability and efficiency

Operational excellence

- High quality
- Short lead times
- Award-winning sustainability focus

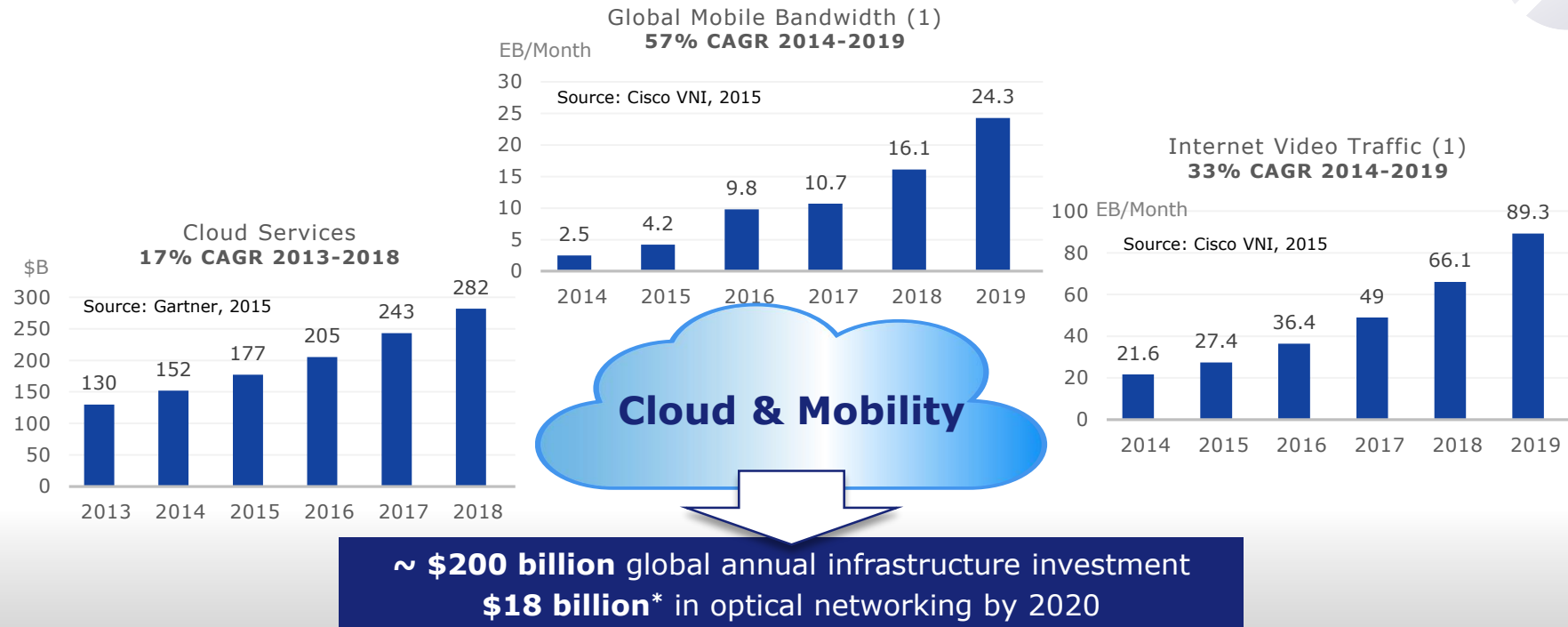
Ease of doing business

- Technology and VAR ecosystems
- Broad and deep solution expertise
- Financial stability, solid balance sheet

Award-winning factory in Meiningen, Germany

Enabling our customers to deliver differentiated cloud-based services

Growth Drivers for Networks



More users – More devices that connect to networks – More data-heavy services

*Source: Ovum Market Share Report, 1Q16 Optical Networking Global, June 2016: "The ON market continues on track to \$18bn by 2020, driven by network and data center operator demand"

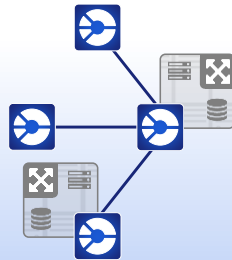
Our Hardware, Software and Services



Ensemble
A Division of ADVA Optical Networking

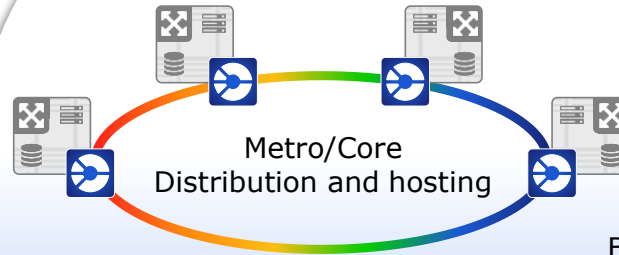
Cloud Extension

Service delivery
and assurance



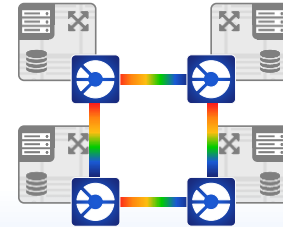
Synchronization delivery
and assurance

Cloud Access



Metro/Core
Distribution and hosting

Cloud & OTT
services



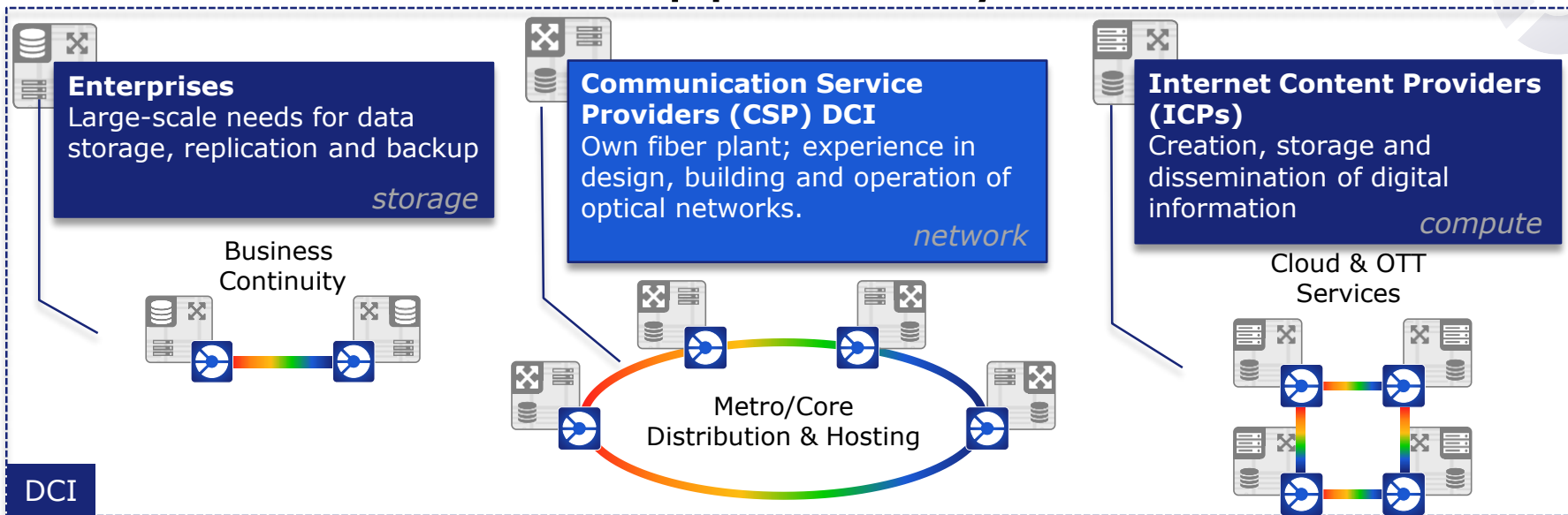
Business
continuity



Cloud Interconnect

Connecting, extending and assuring the cloud

The Metro WDM Opportunity



CSP Infrastructure

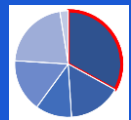
TAM

CAGR

USD 5 billion¹

>6%

Revenue contribution*



CSP investment cycle coming to the metro

1) Estimated 2016 market size and 3yr CAGR, Metro WDM excluding DCI; Source: Ovum, 2015-20 Optical Networks Forecast Report, published Feb 2016;

* Last four quarters

The Metro DCI Opportunity



TAM

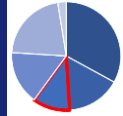
CAGR

Our
success
factors



Enterprise

USD 0.2 billion¹
8%
Revenue contribution*

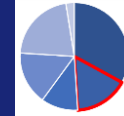


- 20 years experience
- Differentiated feature set
- Excellent partner landscape
- Encryption creates additional differentiation and stickiness
- Market leader² (global >25%)



CSP*

USD 0.8 billion¹
>13%
Revenue contribution*



^{*)}DCI only

- Trusted metro supplier for many Tier 1, 2, 3 operators
- Compelling and proven 100G metro offering
- Preferred choice for many end users



ICP

USD 0.6 billion¹
16%
Revenue contribution



- Leveraging enterprise DCI
- Best ICP-tailored product, leading in cost, space, power and spectral efficiency
- New operational models, favoring smaller, innovative and specialized suppliers



1) Estimated 2016 market size and 3yr CAGR; Source: Ovum, 2015-20 Data Center Interconnect Forecast, published February 2016
2) 2Q 2016 market share (4Q rolling); Source: Ovum Market Share Report: 2Q16 Optical Networking Global

Expanding ecosystem driving demand – investment focus in the metro

* Last four quarters

What is Hot in Cloud Access?

1 Wireline

- Faster service creation
- Lower operational complexity
- Higher security



Business Ethernet



2 Wireless

- Better use of spectrum*
- Precise synchronization & timing



Mobile Backhaul

Data Center Interconnect
& Carrier Infrastructure

*More macro cells, small cells, C-RAN, improving spectral efficiency

Secure access and backhaul solutions for fixed and mobile users

Cloud Access Opportunity and Sync



TAM
CAGR
Our success factors

1

Ethernet Access Devices

USD 1 billion¹
7%

Revenue contribution*



- Performance assurance
- Ubiquitous Ethernet
- Encryption
- NFV-optimized
- Market leader (>20% share)
- 15 years experience

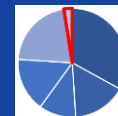
1) Infonetics Research: Ethernet Access Devices Biannual Market Share, Size and Forecasts, 2nd Edition, September 2015.

2

Synchronization & Timing

USD ~ 300 million²
5%

Revenue contribution*



- Focus and higher speed of innovation gives us a more comprehensive and competitive portfolio
- Strategically important technology and expertise could allow further expansion into mobile infrastructure

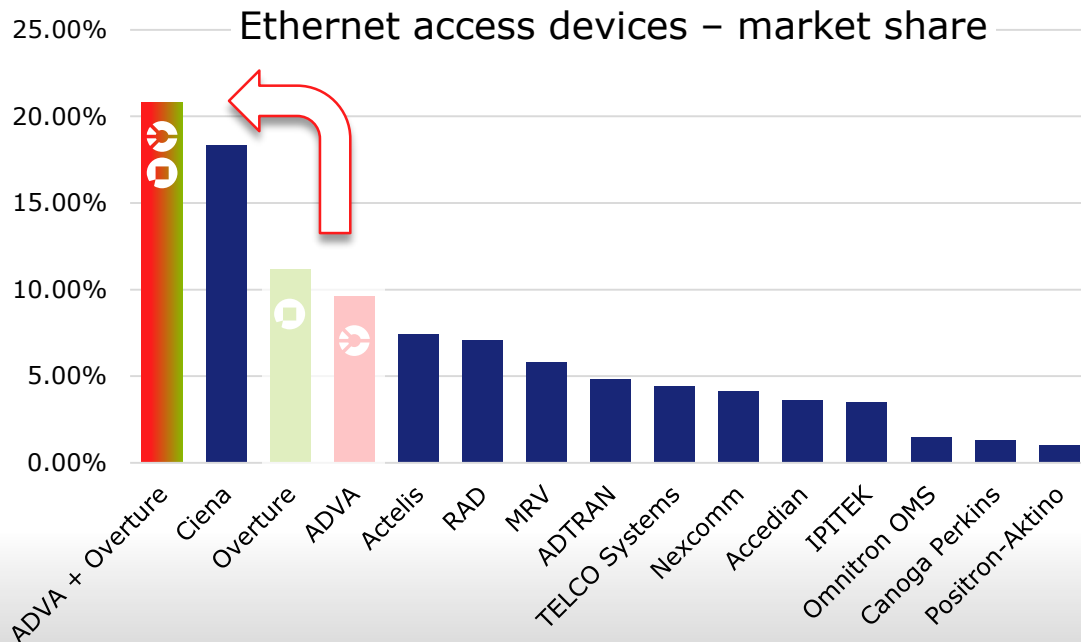
OSCILLOQUARTZ
An ADVA Optical Networking Company

2) ADVA Optical Networking internal estimates

1)L3 and L2 access networks converging, quadrupling addressable EAD market

* Last four quarters

Cloud Access – Overture Acquisition



Source: IHS Infonetics Research EAD Report, Sep 2015

+ Extending the cloud

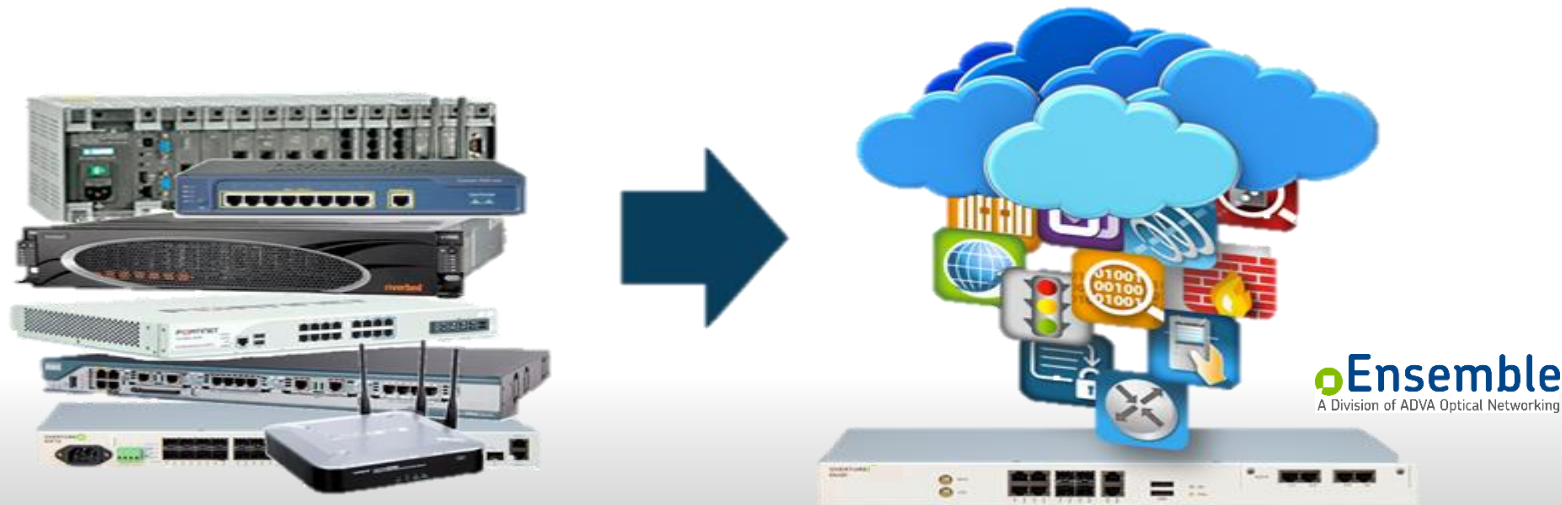
- Shift towards software-driven service creation and delivery (VNF)*
- Tapping into layer 3 access and edge routing market
- Most comprehensive NFV architecture providing choice of hardware, software and location
- New strategic division with experience and market credibility

Ensemble
A Division of ADVA Optical Networking

Market leadership EAD – cross selling and NFV disruption will accelerate growth

What Is Ensemble Virtualization?

Ensemble enables users to realize the benefits of the cloud by **replacing closed appliances** with their **choice of software** that can be **hosted anywhere** in the network on their **choice of open hardware**.



More than 20 active customer engagements with carriers around the globe

Our Technology Differentiation



Open Optical Transport

Most cost-, space- and power-efficient product
Multi-Tbit/s flexibility and scalability
Open optical line system



Network Encryption

Fixed and mobile user secure cloud access
Secure business Ethernet connectivity
Lowest latency inflight encryption



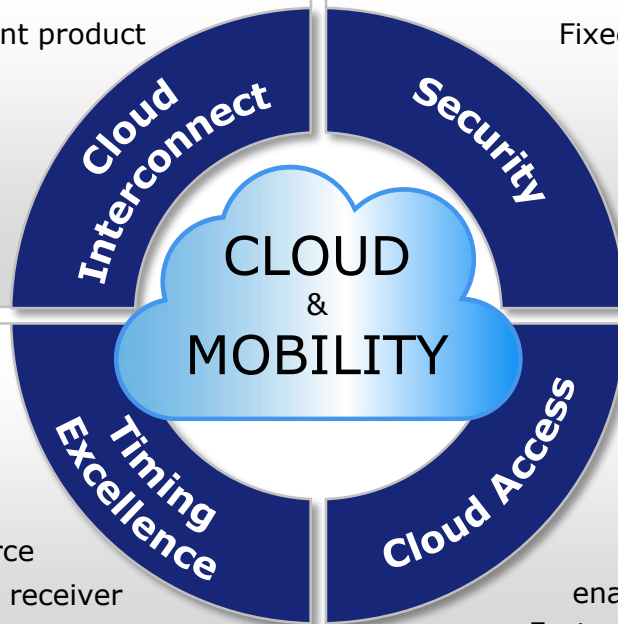
Network Synchronization

Cesium primary reference clock source
Modular PTP grandmaster and GNSS receiver
PTP grandmaster on SFP



Virtualized Cloud Services

NFV infrastructure and orchestration
enabling choice, performance and agility;
Fast service creation – operational simplicity



Open, programmable and secure connectivity solutions

Our Partners

Technology Partners

Wir sind dabei! PHOTONIK CAMPUS WIR SIND LICHT

ATM edia

BROCADE

EMC² where information lives

ARISTA

IBM

Tivoli software

InfoVista[®] Orchestrating network performance

Juniper NETWORKS

VIavi

InfoGuard and information becomes secure

IBM

hp invent

Research Alliances

Security & Encryption

Data Center & Storage

Ethernet & IP

NMS & Assurance

Value-Added Resellers

axians

arcadiz telecom

dacoso data communication solutions

InfoGuard and information becomes secure

UNIVERSAL CARD SYSTEMS

JASCO INSPIRE. INNOVATE.

PSS

XON

zayo GROUP

Featured Elite Partners

Ensemble Harmony Ecosystem

VIavi

silver peak

transcirrus

redhat.

QOSMOS The Network is information

SPIRENT

riverbed The Application Performance Company

WIND

intel

SUPERMICK

EDGE TEAM INNOVATING NETWORKS

IN

FORTINET.

iXIA

Sonus NETWORKS

EnterpriseWeb.com

Check Point SOFTWARE TECHNOLOGIES LTD.

CERTES NETWORKS

InfoVista[®] Orchestrating network performance

kapsch >>>

BROCADE

H-Log G&S TELECOM

Metaswitch Networks

DELL

ITERATIO

ISKRATEL

MATICMIND

NETWELL

sia

telindus Belgacom ICT

TrueCom Building a connected world...

Featured Select Partners

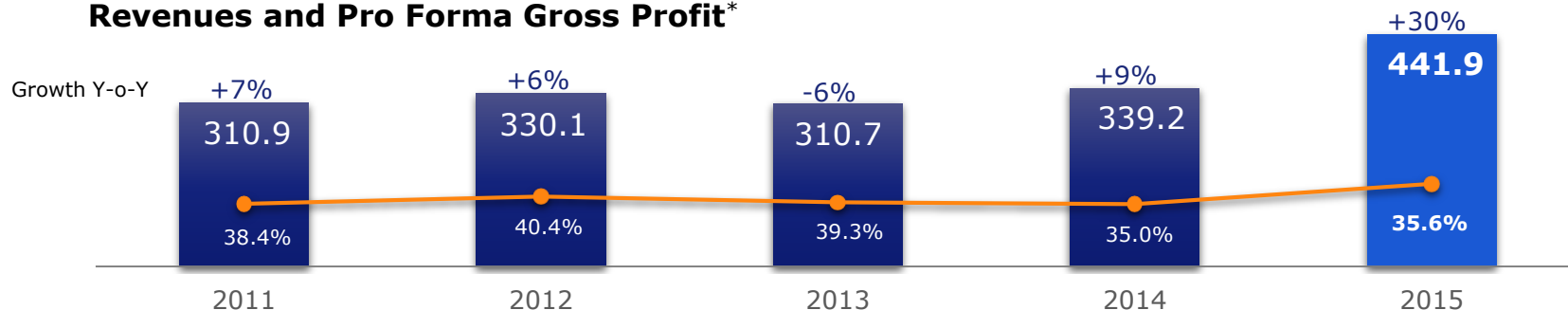
Financial Performance



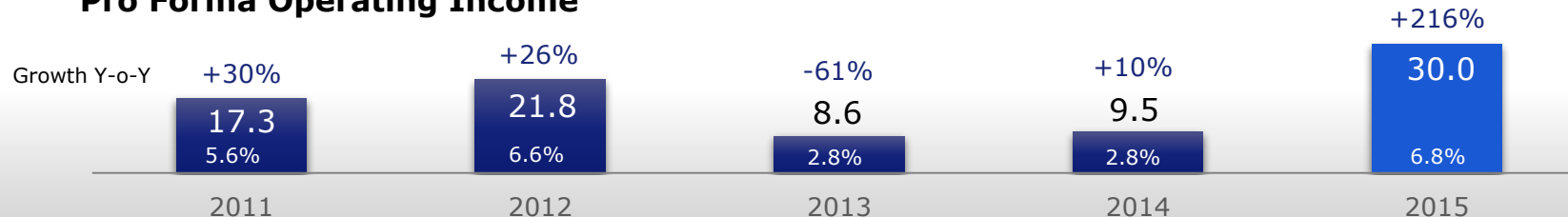
Annual IFRS Revenues and Pro Forma Profitability



Revenues and Pro Forma Gross Profit*



Pro Forma Operating Income**



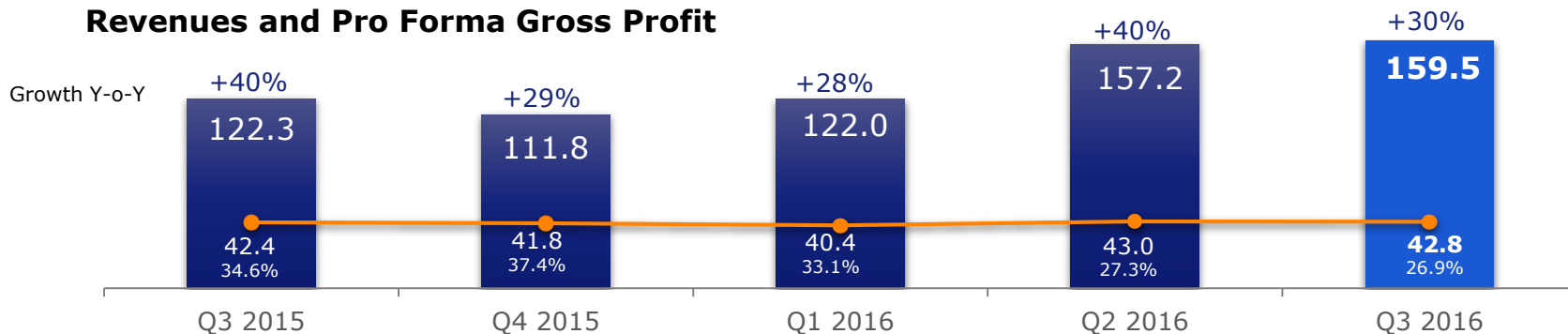
(in millions of EUR, in % of revenues)

* From 2012, amortization for capitalized development projects is presented as cost of goods sold. Prior period information has been adjusted accordingly.

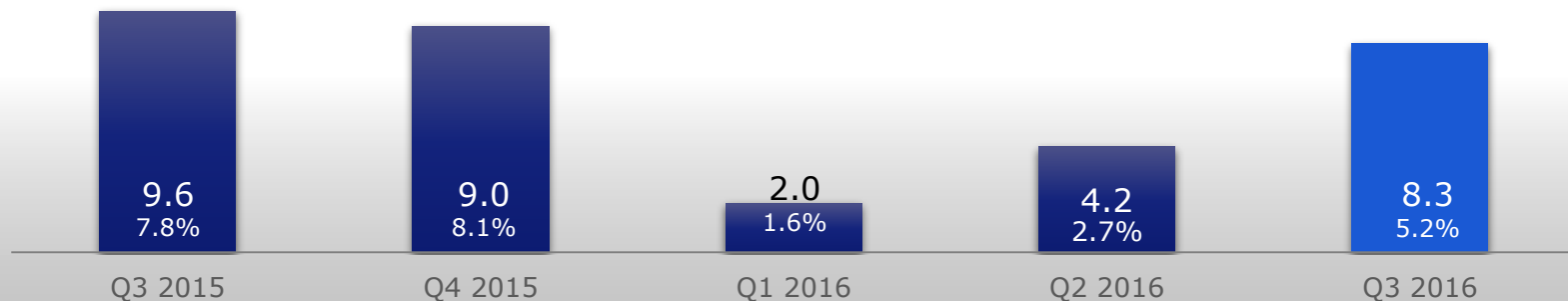
** Pro forma operating income is calculated prior to non-cash charges related to the stock option programs and amortization and impairment of goodwill and acquisition-related intangible assets.

Quarterly IFRS Revenues and Pro Forma Profitability

Revenues and Pro Forma Gross Profit



Pro Forma Operating Income*



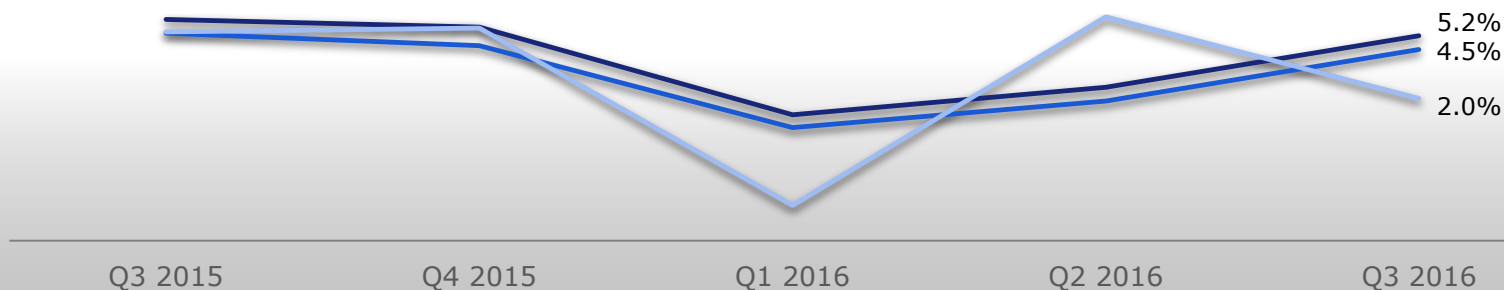
* Pro forma operating income is calculated prior to non-cash charges related to the stock option programs and amortization and impairment of goodwill and acquisition-related intangible assets.

IFRS Profitability

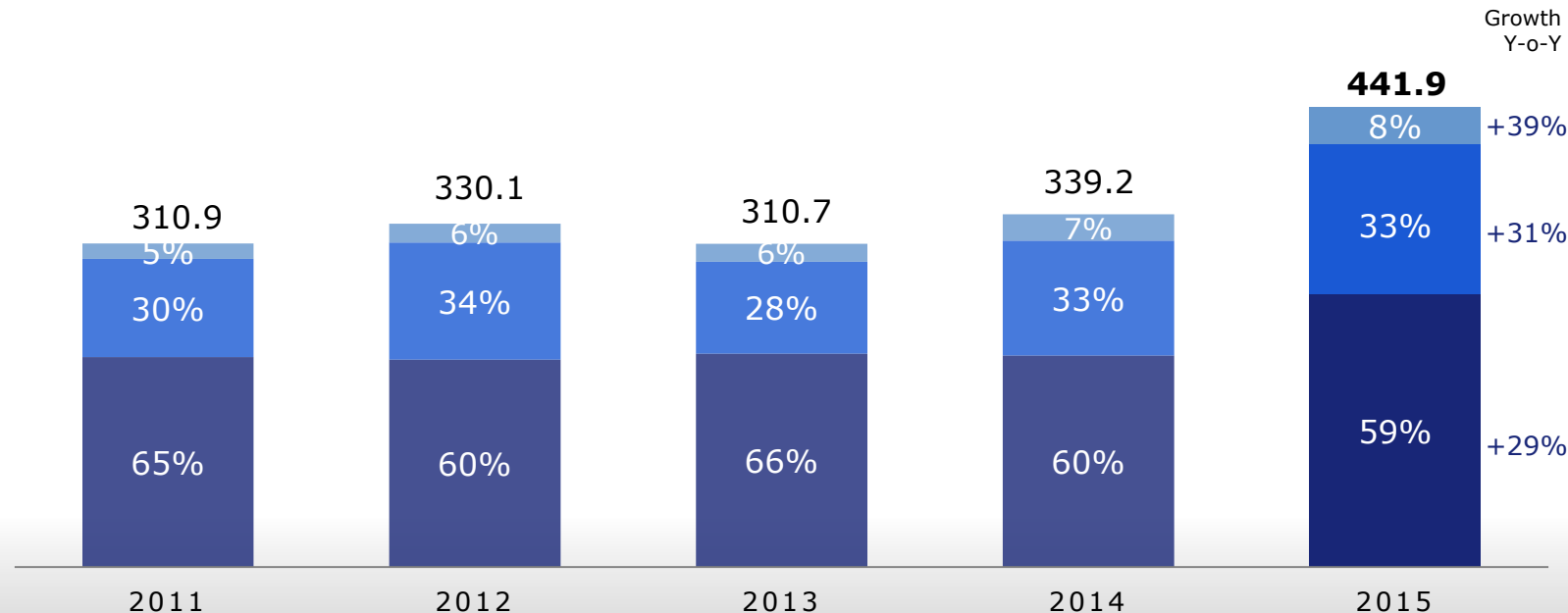


EUR Million	2015		2016		
	Q3	Q4	Q1	Q2	Q3
<u>Pro Forma Operating Income</u>	9.6 (7.8%)	9.0 (8.1%)	2.0 (1.6%)	4.2 (2.7%)	8.3 (5.2%)
<u>Operating Income</u>	8.5 (6.9%)	7.5 (6.7%)	1.0 (0.8%)	3.1 (2.0%)	7.2 (4.5%)
<u>Net Income</u>	8.6 (7.0%)	8.9 (7.9%)	-5.2 (-4.2%)	9.8 (6.2%)	3.3 (2.0%)
Diluted EPS in EUR	0.17	0.18	-0.10	0.20	0.07

Margins, in % of Revenues



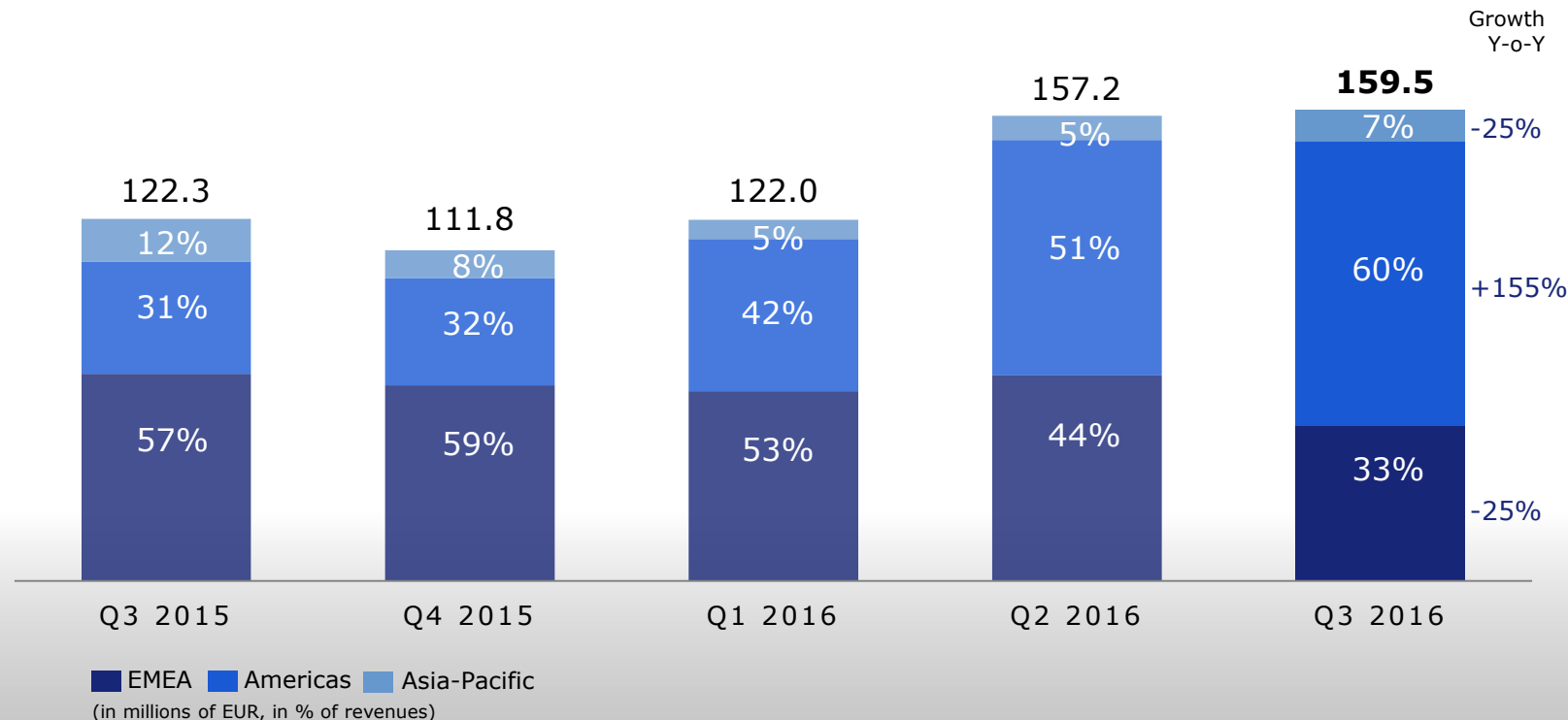
Annual Revenues Per Region



■ EMEA ■ Americas ■ Asia-Pacific
(in millions of EUR, in % of revenues)

Note: Potential differences due to rounding

Quarterly Revenues Per Region

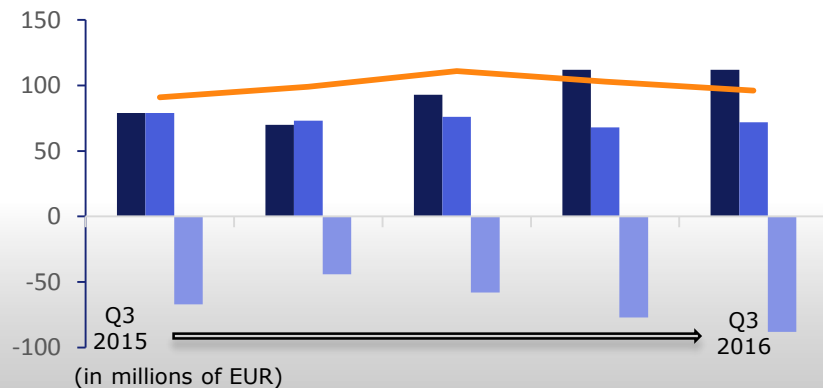


Note: Potential differences due to rounding

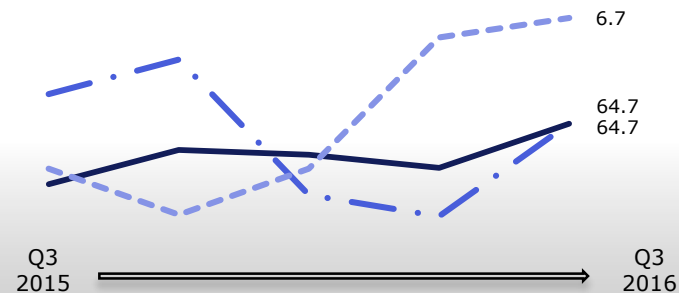
IFRS Balance Sheet



Assets	Jun. 30 2016	Sep. 30 2016	Equity & liabilities	Jun. 30 2016	Sep. 30 2016
Cash & cash equivalents	82.5	81.2	Accounts payable	77.1	87.7
Accounts receivable	112.0	112.1	Financial liabilities	62.5	60.9
Inventories	67.7	72.2	Other liabilities	97.1	96.6
Other assets	192.6	200.3	Equity	218.1	220.6
Total	454.8	465.8	Total	454.8	465.8
Net Liquidity	20.0	20.3			



Net Working Capital



Days Sales Outstanding (DSOs)
Days Payable Outstanding (DPOs)

Inventory Turns

IFRS Consolidated Cash Flow Statement

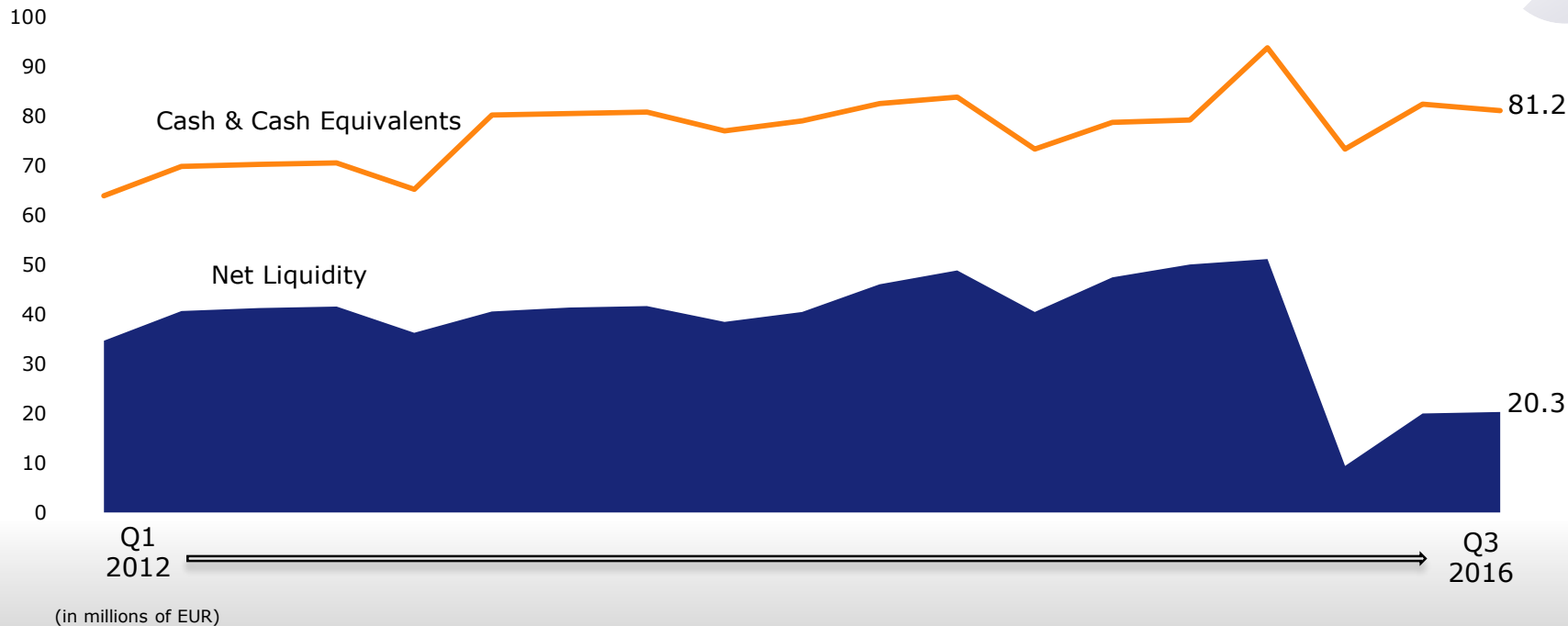


EUR million	2015		2016		
	Q3	Q4	Q1	Q2	Q3
Net cash provided by operating activities	12.0	10.7	2.0	22.4	15.7
Net cash used for investing activities	-10.1	-10.8	-42.9	-11.4	-15.5
Net cash provided by (used for) financing activities	-1.3	14.5	21.0	-1.9	-1.7
Net effect of foreign currency translation	-0.2	0.2	-0.6	0	0.2
Net change in cash and cash equivalents	0.5	14.6	-20.5	9.1	-1.3
Cash and cash equivalents					
at beginning of period	78.8	79.3	93.9	73.4	82.5
at end of period	79.3	93.9	73.4	82.5	81.2
Free cash flow*	10.4	8.1	-0.6	19.0	11.8

* Free cash flow = Net cash provided by operating activities
 ./ capital expenditures for property, plant and equipment, finance leases and intangible assets not related to development activities.

Note: Potential differences due to rounding

Cash and Net Liquidity



Net liquidity on stable level after Q1 reduction due to the Overture acquisition

Investor Relations Overview (I/II)



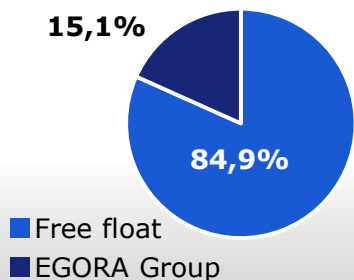
Recent Investor Activities

Roadshows: Zurich, Frankfurt, Paris

Conferences: dbAccess European TMT Conference 2016, London in September
Berenberg/GS Fifth German Corporate Conference, Munich in September

Stockholder Structure

Status: September 30, 2016: 49,444,834 shares outstanding



Top 7 Investors*

DNB Asset (NO)	5,7%
DWS Deutsche Asset	4,9%
Norges Bank (NO)	2,8%
Dimensional Fund (US)	2,6%
Henderson Global (UK)	1,5%
Grantham Mayo (US)	1,4%
Acadian Asset Mgmt. (US)	1,2%

*Sources: ThomsonOne, Deutsche Bank, ADVA, September 2016

Planned Investor Activities

Roadshows: Paris and Boston in November
New York in December

Conferences: Needham Conference New York in November

Financial Analyst Coverage

As of Oct 26, 2016 Institution	Recommendation/ target price	Last update	Last change
Oddo Seydler Bank	Buy (€12.50)	Oct 21, 16	(€12.50)
Hauck & Aufhäuser	Buy (€10.50)	Oct 25, 16	(€11.10)
LBBW	Buy (€10.75)	Jul 21, 16	(€10.75)
Northland Capital Markets	Buy (€15.00)	Sep 23, 16	(€15.00)
Deutsche Bank	Hold (€ 10.00)	Apr 26, 16	
Ø	€ 11.75		

Investor Relations Overview (II/II)

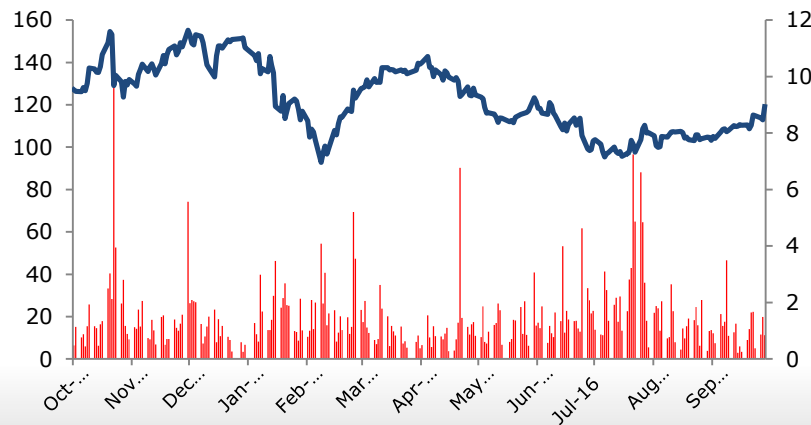


Share Price and Trading Volume

Trading volume
in thousand

Oct 1, 2015 – Sep 30, 2016
FWB Xetra data

Share price
in €



Share price in EUR

- Current (September 30) 8.96
- 52 week high 11.80
- 52 week low 7.07



Financial Analyst IFRS Estimates

As of Oct 21, 2016

Only includes estimates since July 21, 2016

	FY 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016 Ø
EUR m	Actual	Actual	Actual	Actual	ADVA guidance	Analyst estimate
Revenues	441.9	122.0	157.2	159.5	125-140	572.8
Growth YoY	+30%	+28%	+40%	+30%		+30%
Pro forma operating income	30.0	2.0	4.2	8.3		25.7
% of revenues	6.8%	1.6%	2.7%	5.2%	4%-7%	4.5%
Net Income	26.9	-5.2	9.8	3.3		21.6
% of revenues	6.1%	-4.2%	6.2%	2.0%		3.8%

Guidance Q4 2016



- Revenues between EUR 125 million and EUR 140 million
- Pro forma operating margin between 4% and 7% of revenues*
- ADVA Optical Networking will continue to perform detailed quarterly reviews of the expected business development in respect of all intangible assets, including capitalized research and development expenses; in case of highly adverse business prospects, these reviews may result in non-cash impairment charges.

* Excluding any potential impairment charges.



Thank You

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