

ADVA Optical Networking Reports Q2 2015 Financial Results in Line With Revised Guidance

- *Q2 2015 Revenues: EUR 112.3 Million (Increase of 28.8% Year-on-Year)*
- *Q2 2015 IFRS Pro Forma Operating Income: EUR 7.7 Million (6.8% of Revenues)*
- *Q3 2015 Guidance: Revenues Between EUR 120 Million and EUR 125 Million With IFRS Pro Forma Operating Income Between 5% and 8% of Revenues*

Martinsried/Munich, Germany. July 23, 2015. ADVA Optical Networking (FSE: ADV; Prime Standard Segment, TecDAX) announced Q2 2015 financial results for the quarter ended on June 30, 2015 and prepared in accordance with International Financial Reporting Standards (IFRS).

Q2 2015 IFRS Financial Results

Revenues in Q2 2015 rose by 28.8% to a record high of EUR 112.3 million (prev. year: EUR 87.2 million) and 17.4% sequentially (Q1 2015: EUR 95.6 million). This result is at the upper end of the revised guidance provided on June 16, 2015 of between EUR 109 million and EUR 113 million. Year-on-year, the increase is primarily due to higher demand for carrier infrastructure and enterprise solutions, most notably in the EMEA region. The quarter-on-quarter increase is driven largely by investments in carrier infrastructure solutions across all regions.

IFRS pro forma operating income in Q2 2015 increased significantly and came in at EUR 7.7 million or 6.8% of revenues (prev. year: EUR 0.4 million or 0.5% of revenues / Q1 2015: EUR 3.7 million or 3.9% of revenues), in line with the revised guidance of between 6.0% and 7.5% of revenues. Both the year-on-year and the quarter-on-quarter increases of pro forma operating income are largely due to higher revenues.

The IFRS operating income rose to a solid EUR 7.4 million in Q2 2015 (prev. year: EUR 38 thousand). The key driver for this improvement is the above-mentioned increase of pro forma operating income.

IFRS net income in Q2 2015 was up substantially and amounted to EUR 5.1 million (prev. year: EUR 3 thousand). Beyond the improvement of the operating income, the effect was partly compensated by net foreign currency exchange losses of EUR 1.6 million (prev. year: net foreign exchange gains of EUR 0.3 million) and a tax expense of EUR 0.4 million (prev. year: tax expense of EUR 33 thousand). Basic and diluted IFRS net earnings per share in Q2 2015 were EUR 0.11 each (prev. year: nil each respectively).

"We continued the dynamic growth in the second quarter of 2015 with a significant increase in revenue and earnings — above our original expectations. Our Q2 2015 revenue level marks the sixth consecutive quarter with year-on-year growth and represents the second sequential quarter with double-digit growth. We delivered a solid and significantly improved operating profit — the highest level in years. With our focus on operational excellence and continuous improvements, we seized the momentum to grow our business profitably," commented Ulrich Dopfer, CFO, ADVA Optical Networking.

Additional Key Data

The pro forma gross margin increased to 34.4% in Q2 2015 (prev. year: 32.8%) but decreased sequentially (Q1 2015: 36.2%), mainly due to variations in product and customer mix. As of June 30, 2015, cash and cash equivalents rose by 7.4% to EUR 78.8 million and were EUR 5.4 million above the previous quarter (March 31, 2015: EUR 73.4 million).

million). Net liquidity increased to EUR 47.5 million, up EUR 7.0 million or 17.3% vs. the end of the previous quarter (March 31, 2015: EUR 40.5 million).

(in thousands of EUR)	Q2 2015	Q2 2014	Change	Q1 2015	Change
Revenues	112,260	87,169	+28.8%	95,604	+17.4%
Pro forma gross profit	38,668	28,592	+35.2%	34,619	+11.7%
in % of revenues	34.4%	32.8%	+1.6%	36.2%	-1.8%
Pro forma operating income	7,671	425	-	3,703	+107.2%
in % of revenues	6.8%	0.5%	+6.3%	3.9%	+2.9%
Operating income	7,422	38	-	3,335	+122.5%
Net income	5,126	3	-	4,264	+20.2%

(in thousands of EUR)	Jun. 30, 2015	Jun. 30, 2014	Change	Mar. 31, 2015	Change
Cash and cash equivalents	78,819	79,141	-0.4%	73,358	+7.4%
Net liquidity	47,507	40,477	+17.4%	40,489	+17.3%

*Potential differences due to rounding

Q3 2015 Outlook

In Q3 2015, ADVA Optical Networking expects revenues to range between EUR 120 million and EUR 125 million and anticipates a pro forma operating income of between 5% and 8% of revenues. ADVA Optical Networking performs quarterly reviews of the expected business development with respect to all intangible assets, including capitalized development expenses. In case of adverse business prospects, these reviews may result in non-cash impairment charges in Q3 2015 and beyond which are excluded from the above guidance. The company will publish its Q3 2015 financial results on October 22, 2015.

"Our strategy to aggressively invest in game-changing innovation in the right markets is manifesting itself in ADVA Optical Networking's dramatic top-line growth. Our focus on cloud and mobility is rapidly paying off. With Internet Content Providers (ICPs) and Communication Service Providers (CSPs) driving a fundamental shift in the Data Center Interconnect (DCI) landscape, ADVA Optical Networking is positioned well. We are benefiting from our relentless effort to deliver the most advanced and state-of-the-art technology for our broad customer base and strategic partners as evidenced by the recent launch of our all-new DCI solution. The ADVA FSP 3000 CloudConnect™ has been jointly engineered with leading ICPs and CSPs and represents an industry first. Our thought leadership will create further value for shareholders," stated Brian Protiva, CEO, ADVA Optical Networking.

Six-Month IFRS Consolidated Income Statement

(in thousands of EUR, except earnings per share)	Q2 2015	Q2 2014	6M 2015	6M 2014
Revenues	112,260	87,169	207,864	165,288
Pro forma cost of goods sold	-73,592	-58,577	-134,577	-109,080
Pro forma gross profit	38,668	28,592	73,287	56,208
Pro forma selling and marketing expenses	-13,936	-11,714	-27,304	-23,103
Pro forma general and administrative expenses	-7,433	-6,774	-14,704	-13,087
Pro forma research and development expenses	-19,129	-16,951	-37,853	-33,646
Income from capitalization	8,432	6,173	15,958	11,236

of development expenses

Other operating income and expenses,
net

	1,069	1,099	1,990	3,208
Pro forma operating income	7,671	425	11,374	816
Amortization of intangible assets from acquisitions	-45	-187	-179	-358
Stock compensation expenses	-204	-200	-438	-335
Operating income	7,422	38	10,757	123
Interest income and expenses, net	-235	-313	-500	-649
Other financial gains and losses, net	-1,621	311	485	351
Income before tax	5,566	36	10,742	-175
Income tax benefit (expense), net	-440	-33	-1,352	-219
Net income	5,126	3	9,390	-394

Earnings per share in EUR

Basic	0.11	0.00	0.19	-0.01
Diluted	0.11	0.00	0.19	-0.01

Pro forma financial numbers exclude non-cash charges related to the stock compensation programs and amortization and impairment of goodwill and acquisition-related intangible assets.

#

Conference Call

In conjunction with the release of its Q2 2015 financial results on July 23, 2015, ADVA Optical Networking will host a conference call for analysts and investors at 3:00 p.m. CEST / 9:00 a.m. EDT. Participating in the call will be ADVA Optical Networking's CEO, Brian Protiva, and CFO, Ulrich Dopfer. Interested parties may dial in at +49 69 22 222 9043 or +1 855 402 7766, pin code 6501 4035#, and download the corresponding presentation from ADVA Optical Networking's website, located on the "financial results" page under "[conference calls](#)" in the investor relations section of ADVA Optical Networking's website at www.advaoptical.com.

The complete 2015 Six-Month Report (January - June) is available as a PDF on our website: www.advaoptical.com via the links "About Us" – "Investor Relations" – "Financial Results".

About ADVA Optical Networking

At ADVA Optical Networking we're creating new opportunities for tomorrow's networks, a new vision for a connected world. Our intelligent telecommunications hardware, software and services have been deployed by several hundred service providers and thousands of enterprises. Over the past twenty years, our innovative connectivity solutions have helped to drive our customers' networks forward, helped to drive their businesses to new levels of success. We forge close working relationships with all our customers. As your trusted partner we ensure that we're always ready to exceed your networking expectations. For more information on our products and our team, please visit us at: www.advaoptical.com.

Forward-Looking Statements

The economic projections and forward-looking statements contained in this document relate to future facts. Such projections and forward-looking statements are subject to risks which cannot be foreseen and which are beyond the control of ADVA Optical Networking. ADVA Optical Networking is therefore not in a position to make any representation as to the accuracy of economic projections and forward-looking statements or their impact on the financial situation of ADVA Optical Networking or the market in the shares of ADVA Optical Networking.

Use of Pro Forma Financial Information

ADVA Optical Networking provides consolidated pro forma financial results in this press release 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 the stock option programs and amortization and impairment of goodwill and acquisition-related intangible assets, which are not reflective of the Company'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.

Published By:

ADVA Optical Networking SE, Martinsried/Munich and Meiningen, Germany
www.advaoptical.com

For Press:

Gareth Spence

t +44 1904 699 358

[public-relations\(at\)advaoptical.com](mailto:public-relations(at)advaoptical.com)

For Investors:

Karin Tovar

t +1 201 940 7212

[investor-relations\(at\)advaoptical.com](mailto:investor-relations(at)advaoptical.com)