

ADVA Optical Networking Posts Record Quarter of EUR 157.2 Million Revenues in Q2 2016

- ***Revenues of EUR 157.2 Million Drive 40.1% Year-on-Year Growth***
- ***Pro Forma Operating Income: EUR 4.2 Million (2.7% of Revenues)***
- ***Q3 2016 Outlook: Revenues EUR 150 – 160 Million; Pro Forma Operating Income 3% - 6% of Revenues***

Munich, Germany. July 21, 2016. ADVA Optical Networking (ISIN: DE0005103006, WKN 510300) announced Q2 2016 financial results for the quarter ended on June 30, 2016 and prepared in accordance with International Financial Reporting Standards (IFRS).

Q2 2016 IFRS Financial Results

Quarterly revenues climbed to a record high of EUR 157.2 million. The figure marks an increase of 40.1% year-on-year (YoY) (Q2 2015: EUR 112.3 million) and is above the guidance forecast that was announced earlier this year on April 21.

"Q2 has been a solid quarter for us. We're gaining market share and building momentum," said Brian Protiva, CEO, ADVA Optical Networking. "Our focus and innovation in the data center interconnect space is delivering results. In fact, we're one of the few companies outperforming the market. We're aggressively growing our footprint in this space with a number of key customers and we're continuing to win strategic accounts."

Pro forma operating income in Q2 2016 stood at EUR 4.2 million or 2.7% of revenues, which represents a EUR 3.5 million YoY decrease (Q2 2015: EUR 7.7 million) and is in line with the previously announced guidance. The operating income came to EUR 3.1 million (Q2 2015: EUR 7.4 million). Cash and cash equivalents were at EUR 82.5 million. Net liquidity reached EUR 20.0 million and net working capital EUR 102.7 million.

The quarterly result includes the acquisition of Overture, which took place on January 13, and consequently contains some of the one-off restructuring and integration expenses related to the acquisition. The acquisition was a strategically important step for ADVA Optical Networking and will strengthen the company's product portfolio for cloud access solutions.

"The integration of Overture is progressing well and nearing completion," continued Brian Protiva. "We've fully integrated their hardware business into our cloud access portfolio and significantly expanded our customer footprint. What's more, with the launch of ADVA Ensemble, a new strategic division focused on network functions virtualization, we leapfrogged the market by 12 months. Innovation is more important than ever and is helping to grow our market share. In Q2 alone, we won six awards, including Light Reading's prestigious Company of the Year (Public) and a Global Telecom Business Innovation Award with Verizon Partner Solutions. Innovation and operational excellence will continue to propel us forward, leading to increasing market share and profitability."

Additional Key Data

(in thousands of EUR)	Q2 2016	Q2 2015	Change	Q1 2016	Change
Revenues	157,243	112,260	40.1%	121,962	28.9%
Pro forma gross profit	42,967	38,668	11.1%	40,393	6.4%
in % of revenues	27.3%	34.4%	-7.1pp	33.1%	-5.8pp
Pro forma operating income	4,213	7,671	-45.1%	1,950	116.1%
in % of revenues	2.7%	6.8%	-4.1pp	1.6%	1.1pp
Operating income	3,080	7,422	-58.5%	994	209.9%
Net income	9,806	5,126	91.3%	-5,163	289.9%

(in thousands of EUR)	June 30, 2016	June 30, 2015	Change	Mar. 31, 2016	Change
Cash and cash equivalents	82,521	78,819	4.7%	73,402	12.4%
Net liquidity	20,039	47,507	-57.8%	9,362	114.0%

*Potential differences due to rounding

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.

Q3 2016 Outlook

In Q3 2016, ADVA Optical Networking expects revenues to range between EUR 150 million and EUR 160 million and anticipates a pro forma operating income of between 3% and 6% 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 2016 and beyond, which are excluded from the above guidance. The company will publish its Q3 2016 financial results on October 27, 2016.

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Conference Call Details

In conjunction with the release of its Q2 2016 financial results on July 21, 2016, 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 22 29 043 or +1 855 402 77 66, pin code 510 934 25#, 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 2016 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.

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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.

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.

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