

ADVA Optical Networking Posts Record Annual Revenues of EUR 566.7 Million for 2016

- ***Annual Revenues of EUR 566.7 Million (28.2% Year-on-Year Growth)***
- ***Pro Forma Operating Income: EUR 23.4 Million (4.1% of Revenues)***
- ***Q1 2017 Outlook: Revenues EUR 135 - 145 Million; Pro Forma Operating Income 3% - 5% of Revenues***

Munich, Germany. February 23, 2017. ADVA Optical Networking (ISIN: DE0005103006, WKN 510300) today announced financial results for Q4 2016 and full year 2016 ended on December 31, 2016. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Q4 2016 IFRS Financial Results

Quarterly revenues amounted to EUR 128.0 million. This represents a growth of 14.6% compared to the fourth quarter of the previous year (Q4 2015: EUR 111.8 million) and is within the guidance forecast on October 27, 2016.

The pro forma operating result in Q4 2016 was EUR 9.0 million or 7.0% of sales (Q4 2015: EUR 9.0 million or 8.1% of sales) and was at the top end of guidance. The operating result was EUR 8.1 million (Q4 2015: EUR 7.5 million), while cash and cash equivalents reached EUR 84.9 million. Net liquidity amounted to EUR 25.5 million, while net working capital was EUR 98.0 million.

2016 IFRS Annual Results

For the full year 2016, revenues climbed to a record level of EUR 566.7 million, 28.2% above the EUR 441.9 million achieved in 2015. The increase in revenues mainly resulted from improved enterprise business specifically driven by internet content providers (ICPs) and the related business in the Americas.

"After a record year in 2015, which gave us revenue growth of over 30% compared to the previous year, we once again showed significant top-line growth in 2016," said Brian Protiva, CEO, ADVA Optical Networking. "For the first time in the history of our company, we recorded annual revenues of more than half a billion euros. According to the industry analysts at Ovum, these record sales have given us global market leadership in several areas of the rapidly growing data center interconnect (DCI) market and made us one of the fastest growing companies in this space worldwide."

The pro forma operating income amounted to EUR 23.4 million or 4.1% of revenues in 2016 compared to EUR 30.0 million or 6.8% of revenues in 2015. Operating profit amounted to EUR 19.4 million compared to EUR 26.8 million in 2015. The decline compared to the previous year reflects the integration costs resulting from the acquisition of Overture in 2016 and the comparatively low margins in ICP sales.

The net profit for the year amounted to EUR 21.5 million in 2016 compared to EUR 26.9 million in 2015. This decline is mainly due to the lower operating result, which was partly offset by an income tax benefit of EUR 2.5 million in 2016 versus an income tax expense of EUR -1.2 million in 2015. Basic earnings per share amounted to EUR 0.44 in 2016 and diluted earnings per share to EUR 0.43.

"Cloud and mobility continue to be major growth drivers for us and are fully intact. Globally, bandwidth demand is growing rapidly, and the economic power of most network operators is developing positively," continued Brian Protiva. "After the investments of the past years in long-haul networks, there is now a need to introduce 100G technology in the metro – an area of the network infrastructure that we serve very well. Furthermore, the trend towards network functions virtualization (NFV) is gaining momentum. Cloud services are the fastest growing business for communication service providers and through NFV these services can be deployed more quickly, flexibly and cost-effectively. In 2016, we carried out extensive tests with more than 20 network operators and positioned ourselves well for a successful 2017."

Additional Key Data*

(in thousands of EUR)	Q4 2016	Q4 2015	Change	Q3 2016	Change
Revenues	128,028	111,752	14.6%	159,453	-19.7%
Pro forma gross profit	42,348	41,777	1.4%	42,817	-1.1%
in % of revenues	33.1%	37.4%	-4.3pp	26.9%	6.2pp
Pro forma operating income	8,957	9,004	-0.5%	8,295	8.0%
in % of revenues	7.0%	8.1%	-1.1pp	5.2%	1.8pp
Operating income	8,122	7,523	8.0%	7,171	13.3%
Net income	13,628	8,881	53.5%	3,261	317.9%

(in thousands of EUR)	Dec. 31. 2016	Dec. 31. 2015	Change	Sep. 30. 2016	Change
Cash and cash equivalents	84,871	93,850	-9.6%	81,238	4.5%
Net liquidity	25,506	51,181	-50.2%	20,315	25.6%

*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.

Q1 2017 Outlook

In Q1 2017, ADVA Optical Networking expects revenues to be in the range of EUR 135 million and EUR 145 million and anticipates a pro forma operating income of between 3% and 5% of revenues. ADVA Optical Networking performs quarterly reviews of 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 Q1 2017 and beyond, which are excluded from the above guidance. The company will publish its Q1 2017 financial results on April 27, 2017.

Conference Call Details

In conjunction with the release of its Q4 and full-year 2016 audited IFRS financial results on February 23, 2017, ADVA Optical Networking will host a conference call for analysts and investors at 3:00 p.m. CET / 9:00 a.m. EST. 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 821 949 34#. A corresponding presentation is available on ADVA Optical Networking's website: www.advaoptical.com/en/about-us/investor-relations/financial-results/conference-calls.aspx

The complete 2016 Annual Report (January – December) is available as a PDF on our website: www.advaoptical.com/en/about-us/investor-relations/financial-results/financial-statements.aspx

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

ADVA Optical Networking is a company founded on innovation and driven to help our customers succeed. For over two decades, our technology has empowered networks across the globe. We're continually developing breakthrough hardware and software that leads the networking industry and creates new business opportunities. It's these open connectivity solutions that enable our customers to deliver the cloud and mobile services that are vital to today's society and for imagining new tomorrows. Together, we're building a truly connected and sustainable future. For more information on how we can help you, please visit us at: www.advaoptical.com.

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