

ADVA Optical Networking Posts Q2 Revenues of EUR 144.2 Million

- ***Q2 2017 Revenues of EUR 144.2 Million, up 1.7% From Q1 2017***
- ***Q2 2017 Pro Forma Operating Income: EUR 9.2 Million (6.4% of Revenues)***
- ***Q3 2017 Outlook (excluding potential acquisitions): Revenues EUR 120-130 Million; Pro Forma Operating Income 2%-5% of Revenues***

Munich, Germany. July 20, 2017. ADVA Optical Networking (ISIN: DE0005103006, WKN 510300) announced financial results for its 2017 second quarter ended on June 30, 2017. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Q2 2017 IFRS Financial Results

Quarterly revenues increased to EUR 144.2 million from EUR 141.8 in Q1 2017. This marks a decrease of 8.3% year-on-year (YoY) (Q2 2016: EUR 157.2 million) and is within in the guidance announced on April 27, 2017.

Pro forma operating income in Q2 2017 stood at EUR 9.2 million or 6.4% of revenues, up from EUR 6.6 million or 4.7% of revenues in Q1 2017. This number represents a EUR 5.0 million YoY increase (Q2 2016: EUR 4.2 million) and is also within previously announced guidance. The operating income amounted to EUR 8.1 million (Q2 2016: EUR 3.1 million). Cash and cash equivalents totaled EUR 80.8 million. Net liquidity reached EUR 30.8 million and net working capital EUR 100.3 million.

"These are exciting and turbulent times for our industry," said Brian Protiva, CEO, ADVA Optical Networking. "It's a time of incredible contrasts. On one side, cloud and mobility continue to be mega growth drivers driving demand for more bandwidth. On the other hand, our industry continues to face pricing pressure and fierce competition creating the need for further consolidation. Our bid to acquire MRV Communications will enable us to expand our customer footprint, expand our market leadership in Ethernet access devices and expand our portfolio of packet optical solutions. The combined product portfolio will be supported by our continued commitment to operational excellence providing our customers with response times that are unmatched in the industry. Our world-class engineering team, the agility of our organization and our customer focus give us a solid foundation for further growth and profitability."

Additional Key Data*

(Million EUR)	Q2 2017	Q2 2016	Change	Q1 2017	Change
Revenues	144.2	157.2	-8.3%	141.8	1.7%
Pro forma gross profit	46.7	43.0	8.6%	46.1	1.2%
in % of revenues	32.4%	27.3%	5.1pp	32.5%	-0.1pp
Pro forma operating income	9.2	4.2	118.2%	6.6	38.4%
in % of revenues	6.4%	2.7%	3.7pp	4.7%	1.7pp
Operating income	8.1	3.1	162.7%	5.5	47.1%
Net income	4.5	9.8	-53.9%	6.2	-26.9%

(Million EUR)	Jun. 30, 2017	Jun. 30, 2016	Change	Dec. 31, 2016	Change
Cash and cash equivalents	80.8	82.5	-2.1%	69.7	15.9%
Net liquidity	30.8	20.0	53.6%	15.0	104.8%

*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.

"Our revenues are currently developing in a non-uniform way," commented Uli Dopfer, CFO, ADVA Optical Networking. "With the FSP 3000 CloudConnect™, we are attracting new customers from different regions and customer segments. However, the current demand from one of our top customers in the ICP segment is still weak and we have not yet been able to design in our FSP 3000 CloudConnect™. As a result, the revenue outlook for the remainder of the fiscal year is subdued. Only via a fast and efficient integration of MRV Communications will we be able to stabilize revenues close to last year's level. Owing to the weakened revenue development and the expected takeover of MRV Communications, we will be revising our cost structures and cut back on operating costs."

Q3 2017 Outlook

In Q3 2017, ADVA Optical Networking (excluding potential acquisitions) expects revenues to range between EUR 120 million and EUR 130 million and anticipates a pro forma operating income of between 2% and 5% 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 2017 and beyond, which are excluded from the above guidance. The company will publish its Q3 2017 financial results on October 26, 2017.

Conference Call Details

In conjunction with the release of its Q2 2017 financial results on July 20, 2017, 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 807 469 45#. 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 2017 Six-Month Report (January – June) 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

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.

Published By:

ADVA Optical Networking SE, Munich, 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:

Stephan Rettenberger
t +49 89 890 665 854
[investor-relations\(at\)advaoptical.com](mailto:investor-relations(at)advaoptical.com)