Six-Month Report 2016

Networking Solutions for Cloud and Mobile Services

ADVA™ Optical Networking

Q2 2016 Snapshot

- Revenues of EUR 157.2 million
- IFRS pro forma operating income of EUR 4.2 million (2.7% of revenues)
- IFRS operating income of EUR 3.1 million and IFRS net income of EUR 9.8 million
- Net liquidity of EUR 20.0 million at June 30, 2016

Profile

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.

For more than 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 their trusted partner we ensure that we’re always ready to exceed their networking expectations.

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Q2 2016 IFRS FINANCIAL HIGHLIGHTS

Quarterly Income Statement

(in thousands of EUR, except earnings per share)	Q2 2016	Q2 2015	Change	6M 2016	6M 2015	Change
Revenues	**157,243**	**112,260**	**+40%**	**279,205**	**207,864**	**+34%**
Pro forma cost of goods sold	-114,276	-73,592	+55%	-195,845	-134,577	+46%
Pro forma gross profit	**42,967**	**38,668**	**+11%**	**83,360**	**73,287**	**+14%**
Pro forma S&M expenses	-15,230	-13,936	+9%	-30,728	-27,304	+13%
Pro forma G&A expenses	-7,756	-7,433	+4%	-15,475	-14,704	+5%
Pro forma R&D expenses	-24,831	-19,129	+30%	-49,494	-37,853	+31%
Income from capitalization of development expenses	7,817	8,432	-7%	15,689	15,958	-2%
Other operating income and expenses, net	1,246	1,069	+17%	2,811	1,990	+41%
Pro forma operating income	**4,213**	**7,671**	**-45%**	**6,163**	**11,374**	**-46%**
Amortization of intangible assets from acquisitions	-771	-45		-1,442	-179	
Stock comp. exp.	-362	-204	+77%	-647	-438	+48%
Operating income	**3,080**	**7,422**	**-59%**	**4,074**	**10,757**	**-62%**
Interest income and expenses, net	53	-235	-123%	-138	-500	-72%
Other financial gains (losses), net	2,011	-1,621		-4,034	485	
Income before tax	**5,144**	**5,566**	**-8%**	**-98**	**10,742**	**-101%**
Income tax benefit (expense), net	4,662	-440		4,741	-1,352	
Net income	**9,806**	**5,126**		**4,643**	**9,390**	
Earnings per share in EUR						
basic	0.20	0.11		0.09	0.19	
diluted	0.20	0.11		0.09	0.19	

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.

Balance Sheet

(in thousands of EUR)	Jun. 30, 2016	Dec. 31, 2015	Change
Cash and cash equivalents	82,521	93,850	-12%
Trade accounts receivable	112,045	70,379	59%
Inventories	67,720	72,950	-7%
Goodwill	38,051	24,881	53%
Capitalized R&D expenses	64,739	62,439	4%
Other intangible assets	16,567	4,238	291%
Total intangible assets	119,357	91,558	30%
Total assets	454,845	391,535	16%
Stockholders' equity	218,062	215,921	1%

Cash Flow Statement

(in thousands of EUR)	Q2 2016	Q2 2015	Change	6M 2016	6M 2015	Change
Cash flow from operating activities	22,383	18,135	23%	24,415	16,642	47%
Gross capital expenditures for property, plant and equipment	-3,305	-2,709	22%	-5,661	-4,286	32%

Ratios

(in millions of EUR)	Jun. 30, 2016	Dec. 31, 2015	Change
Net liquidity	20.0	51.2	-61%
Working capital[1]	102.7	99.6	3%
	Q2 2016[2]	**Q2 2015[2]**	**Change**
Days sales outstanding	61	62	-2%
Inventory turn-over (times/year)	5.8	4.7	23%
Days payable outstanding	52	63	-17%

Employees

	Jun. 30, 2016	Dec. 31, 2015	Change
	1,730	1,524	14%

[1] Working capital is defined as trade accounts receivable plus inventories minus trade accounts payable.

[2] Trailing twelve months.

Q2 2016 Business Highlights

Interoperability and Alliance Partnerships

May 24: ADVA Optical Networking announced that it has joined the Telecom Infra Project (TIP) and plans to support the newly created Open Optical Packet Transport project group. The new group has been specifically established to develop an open DWDM system that will help the TIP community rapidly expand network deployments and meet the fierce growth in global data demand. ADVA Optical Networking is ideally suited to this challenge. The company has the largest engineering team in the industry already focused on developing open optical transport systems. The ADVA FSP 3000 CloudConnect™ is the industry's only open data center interconnect (DCI) technology.

June 09: ADVA Optical Networking announced that it is playing a key role in the Directly Modulated Lasers on Silicon (DIMENSION) project. DIMENSION, which brings together a consortium of research and industry partners from four European countries, aims to create a platform for single-chip electro-optical integration. The breakthrough technology it produces will involve lasers built with active III-V materials embedded into silicon photonics chips. This will generate the versatile, cost-efficient components needed to optimize data center interconnect (DCI) transport and create the next generation of data centers. The four-year project is funded by the European Union's Horizon 2020 research and innovation program.

Company Events

ADVA Optical Networking has won numerous awards in Q2 2016, underlining the company's leadership in various market segments and its innovation power.

On May 24, ADVA Optical Networking prevailed in Light Reading's Leading Lights Awards competition and won the award for *Company of the Year (Public)*. Decisive was the company's spectacular financial success in 2015 and key technology innovations. Other companies that were shortlisted include AT&T, Cisco and Infinera.

In the field of Network Function Virtualization (NFV), the company won two innovation awards:
The ADVA Ensemble Connector won the *Pipeline Innovation Award for Network Technology* and the *NFV Innovation of the Year Award* at 5G World MENA conference in Dubai. The Ensemble Connector Solution is the industry's only pure-play NFV hosting platform and has already been commercially deployed by communication services providers.

At the Global Telecom Business Awards on May 25 in London ADVA Optical Networking won together with Verizon Partner Solutions the category Wholesale Service Innovation. The innovative Optical Wave Service - Optical Extension (OWS-OE) service of the telecommunication service provider is based on the ALM solution from ADVA Optical Networking and offers customers the opportunity to cost-effectively lease transmission capacity of 10Gbit/s. Furthermore, ADVA Optical Networking won the award in the category Business Service Innovation together with the network operator DartPoints. DartPoints brings about the NFV ADVA ensemble the cloud in the form of micro-data centers closer to the end customer.

Last but not least ADVA Optical Networking has been named the winner of the 2016 Celtic-Plus Excellence Award in the Category of Network Technologies, alongside the other participants in the Safe and Secure European Routing (SASER) project. SASER's consortium of multinational partners was recognized for its contribution to making communication networks in Europe faster, more secure and more cost-effective.

All these awards underline the fact that ADVA Optical Networking develops differentiated solutions that add value to network operators and resonate well with enterprises.

Six-Month Group Management Report

The numbers discussed in this unaudited interim Group management report are based on the interim consolidated financial statements under IFRS (condensed as per IAS 34 Interim Financial Reporting).

In the following, ADVA Optical Networking SE as a company is labeled "the Company" or "ADVA Optical Networking SE". "ADVA Optical Networking" or "the Group" always refer to the ADVA Optical Networking Group.

Forward-Looking Statements

This interim Group management report of ADVA Optical Networking SE contains forward-looking statements using 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 are based on the beliefs of the Management Board and respective assumptions made, and involve a number of unknown risks, uncertainties and other factors, many of which are beyond ADVA Optical Networking's control. If one or more of these uncertainties or risks materializes, or if the underlying assumptions of the Management Board prove incorrect, actual results can differ materially from those described in or inferred from forward-looking statements and information. Unknown risks and uncertainties are discussed in the "risk report" section of the Group management report 2015.

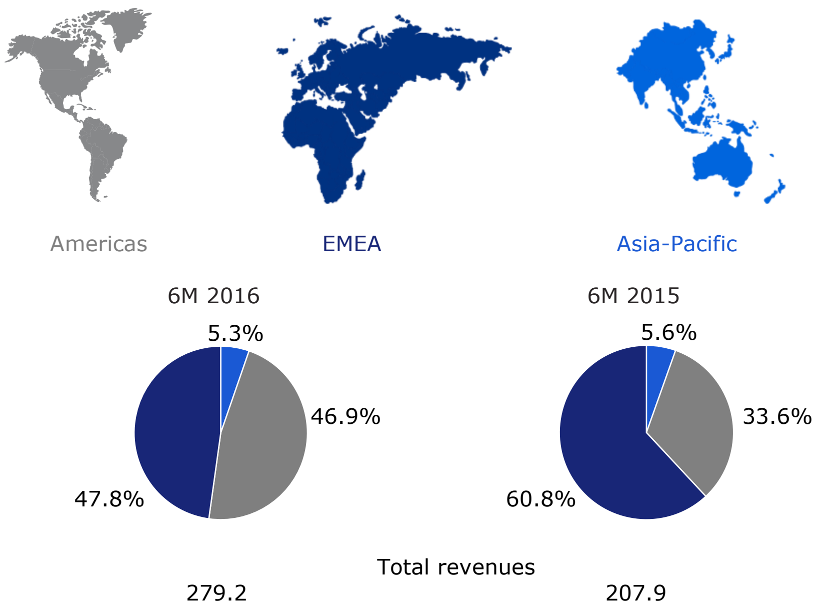
Business Development and Operational Performance

Revenues

Revenues represent one of the four key performance indicators for ADVA Optical Networking. The Group's revenues in 6M 2016 amounted to EUR 279.2 million and were EUR 71.3 million or 34.3% above revenues of EUR 207.9 million in 6M 2015. Compared to revenues of EUR 122.0 million in Q1 2016, revenues in Q2 2016 increased by 28.9% to EUR 157.2 million. This increase in revenues mainly relates to improved Enterprise business, reflecting the continued network traffic growths due to increased adoption of cloud based services and strengthening of the business in the Americas and EMEA.

The most important sales region remained Europe, Middle East and Africa (EMEA), followed by the Americas and Asia-Pacific. Year-on-year, EMEA revenues at EUR 133.6 million in 6M 2016 were up from EUR 126.3 million in 6M 2015 mainly due to improved Carrier Infrastructure business. ADVA Optical Networking is coping well with the ongoing challenging market environment, strong consolidation tendencies and increasing price pressure in this region. In the Americas, revenues increased significantly by 87.4% from EUR 69.8 million in 6M 2015 to EUR 130.9 million in 6M 2016. In this region, enterprise network business shows strong growth as ADVA Optical Networking successfully continues deploying products in large accounts in 6M 2016. In addition, Carrier Infrastructure business in Americas increased in 6M 2016. In the Asia-Pacific region, revenues increased from EUR 11.8 million in 6M 2015 to EUR 14.7 million in 6M 2016 due to Carrier Infrastructure and Enterprise sales to existing as well as new customers.

Revenues by region
(in millions of EUR and relative to total revenues)



Since ADVA Optical Networking is only active in a single operating segment, which is the development, production and marketing of optical networking solutions, a further breakdown of revenues is not relevant.

Results of Operations

(in millions of EUR, except earnings per share)	**6M 2016**	**Portion of revenues**	**6M 2015**	**Portion of revenues**
Revenues	**279.2**	**100.0%**	**207.9**	**100.0%**
Cost of goods sold	-196.9	70.5%	-134.8	64.8%
Gross profit	**82.3**	**29.5%**	**73.1**	**35.2%**
Selling and marketing expenses	-31.3	11.2%	-27.5	13.2%
General and administrative expenses	-15.6	5.6%	-14.8	7.1%
Research and development expenses	-34.1	12.2%	-22.1	10.6%
Other operating income and expenses, net	2.8	1.0%	2.0	1.0%
Operating income	**4.1**	**1.5%**	**10.7**	**5.2%**
Interest income and expenses, net	-0.1	0.0%	-0.5	0.2%
Other financial gains (losses), net	-4.1	1.5%	0.5	0.2%
Income (loss) before tax	**-0.1**	**0.0%**	**10.7**	**5.2%**
Income tax benefit (expense), net	4.7	1.7%	-1.3	0.7%
Net income	**4.6**	**1.7%**	**9.4**	**4.5%**
Earnings per share in EUR				
basic	0.09		0.19	
diluted	0.09		0.19	

Cost of goods sold increased by EUR 62.1 million to EUR 196.9 million in 6M 2016 mainly due to increased revenues. Cost of goods sold includes amortization charges for capitalized development projects of EUR 12.9 million in 6M 2016 after EUR 12.7 million in 6M 2015.

Gross profit increased from EUR 73.1 million in 6M 2015 to EUR 82.3 million in 6M 2016, while gross margins decreased to 29.5% in 6M 2016 after 35.2% in 6M 2015. The decrease in gross margin in 6M 2016 is driven by a disproportional increase in cost of goods sold compared to revenue increase mainly due to customer- and product-mix in the current reporting period.

Selling and marketing expenses in 6M 2016 were EUR 31.3 million, up from EUR 27.5 million in 6M 2015, and representing 11.2% and 13.2% of revenues, respectively. This absolute increase is mainly attributable to increased personnel expense predominantly effected by the first-time inclusion of the Overture Networks Group. ADVA Optical Networking continues to invest in post-sales customer service and intensified direct-touch activities with those key customers served via indirect distribution channels. Establishing direct contact enables the Group to work more closely with its end customers and better understand their specific requirements, which in turn helps in developing suitable products.

General and administrative expenses at EUR 15.6 million in 6M 2016 were slightly up compared to EUR 14.8 million reported in 6M 2015, representing 5.6% and 7.1% of revenues, respectively.

At EUR 34.1 million in 6M 2016, R&D expenses were EUR 12.0 million above the EUR 22.1 million seen in 6M 2015, comprising 12.2% and 10.6% of revenues, respectively. Gross R&D expenses increased significantly to EUR 49.8 million in 6M 2016 compared to EUR 38.1 million reported in 6M 2015. At the same time, income from capitalization of development expenses remained fairly stable at EUR 15.7 million in 6M 2016 after EUR 16.0 million reported in 6M 2015. The capitalization rate in 6M 2016 amounted to 31.5%, significantly below the 41.9% reported in 6M 2015. The increase in R&D expenses mainly relates to integration of the R&D team of Overture Networks Group, additional headcount for development of the future product platform for innovative productivity solutions and further investment in the introduction of new products.

In 6M 2016, total operating costs of EUR 78.2 million increased by EUR 15.8 million from EUR 62.4 million in 6M 2015, representing 28.0% and 30.0% of revenues, respectively.

ADVA Optical Networking reported a decrease in operating income of EUR 6.6 million to EUR 4.1 million in 6M 2016. This decrease is largely due to the decline of gross margins as well as the consideration of non-recurring expenses related to the first-time consolidation of the Overture Networks Group and related restructuring measures.

Pro forma operating income represents one of the four key performance indicators for ADVA Optical Networking. As pro forma operating income excludes non-cash charges related to stock compensation and business combinations, the Management Board of ADVA Optical Networking believes that pro forma operating income is a more appropriate measure than operating income when benchmarking the Group's operational performance against other telecommunications equipment providers. In 6M 2016, ADVA Optical Networking reported a pro forma operating income of EUR 6.2 million after EUR 11.4 million in 6M 2015, representing 2.2% and 5.5% of revenues, respectively.

Beyond the operating result, net interest expenses of negative EUR 0.1 million (6M 2015: EUR 0.5 million) and net other financial losses of EUR 4.0 million (6M 2015: net other financial gains of EUR 0.5 million) relating to the revaluation of foreign currency assets and liabilities and the result on hedging instruments, impacted the income before taxes. In 6M 2016, net other financial result was mainly impacted by unrealized losses related to USD positions.

In 6M 2016, the Group reported an income tax benefit of EUR 4.7 million after an income tax expense of EUR 1.3 million in 6M 2015. The tax benefit in the current period is mainly due to the increase of deferred taxes on loss carry-forwards in the context of the purchase of Overture, the release of deferred tax liabilities on temporary differences as well as tax refunds and release of tax provisions for prior periods. The 6M 2015 tax expense was mainly due to additional tax provisions and payments for current and prior periods within the Group and due to the usage of tax loss carry-forwards for prior years.

The decrease of operating results in the current year, combined with the recognition of net financial losses, resulted in ADVA Optical Networking reporting a net income of EUR 4.6 million in 6M 2016 after a net income of EUR 9.4 million in 6M 2015.

Summary: Business Development and Operational Performance

In 6M 2016, ADVA Optical Networking again reported record level revenues. The negative effect due to lower gross margins was partly compensated by positive tax impacts. In 6M 2016, ADVA Optical Networking reports a net income of EUR 4.6 million.

Net Assets and Financial Position

Balance Sheet Structure
ADVA Optical Networking's total assets increased by EUR 62.0 million from EUR 391.5 million at year-end 2015 to EUR 454.8 million at the end of June 2016.

(in millions of EUR)	Jun. 30, 2016	Dec. 31, 2015
Current assets	276.1	247.0
Non-current assets	178.7	144.5
Total assets	**454.8**	**391.5**
Current liabilities	142.5	112.0
Non-current liabilities	94.3	63.6
Stockholders' equity	218.0	215.9
Total equity and liabilities	**454.8**	**391.5**

Current assets at EUR 276.1 million at the end of Q2 2016 were EUR 29.1 million higher than the EUR 247.0 million reported at the end of 2015, and comprised 60.7% of the balance sheet total after 63.1% at the end of 2015. The increase in current assets is mainly driven by the increase of EUR 41.6 million in trade accounts receivable to EUR 112.0 million at the end of Q2 2016, largely due to higher revenues reported in 6M 2016. Days sales outstanding were at 60 days in 6M 2016, compared to the 58 days reported in 12M 2015. This effect was partly offset by a decrease in cash and cash equivalents by EUR 11.4 million to EUR 82.5 million at the end of Q2 2016. At the same time, inventories decreased by EUR 5.3 million to EUR 67.7 million at the end of Q2 2016, with inventory turns at 5.5 times in 6M 2016 after 4.4 times in 12M 2015.

Non-current assets increased to EUR 178.7 million on June 30, 2016, after EUR 144.5 million reported at year-end 2015. Within non-current assets, intangible assets increased by EUR 12.4 million to EUR 16.6 million at the end of Q2 2016 mainly due to capitalization of technologies, customer relationships and a trade name related to the acquisition of Overture. Moreover, goodwill increased by EUR 13.2 million to EUR 38.1 million mainly due to the same business combination. Capitalized development projects increased by EUR 2.3 million to EUR 64.7 million at the end of Q2 2016. In addition, property, plant and equipment increased by EUR 2.6 million and deferred tax assets increased by EUR 3.0 million to EUR 32.1 million, mainly related to the recognition of tax-losses carried forward of Overture Networks Inc. as well as deferred tax assets on temporary differences.

Meaningful additional assets belonging to ADVA Optical Networking are the broad and global customer base of several hundred service providers and thousands of enterprises, the ADVA Optical Networking brand, the vendor and partner relationships and a highly motivated and skilled global team. These assets are not included in the balance sheet. Customer satisfaction as measured by the Net Promoter Score[3] represents one of the Group's four key performance indicators, highlighting the value of sustainable relationships with customers to ADVA Optical Networking.

On the equity and liabilities side, current liabilities increased by EUR 30.5 million from EUR 112.0 million on December 31, 2015, to EUR 142.5 million on June 30, 2016, primarily due to higher trade accounts payable and current provisions. Trade accounts payable at EUR 77.1 million were significantly above the EUR 43.7 million reported at the end of 2015. Days payable outstanding were at 55 days in 6M 2016 compared to 62 days in 12M 2015. The increase in trade accounts payable is driven by higher material purchases related to increased revenues as well as the timing of material purchases. Current provisions increased by EUR 6.3 million to EUR 16.2 million as employees' variable compensation entitlement for 2016 has been included on a pro rata basis. At the same time, other current liabilities decreased by EUR 10.2 million to EUR 16.7 million at the end of June 2016, largely driven by variable compensation for prior periods paid out in 6M 2016. Moreover, current financial liabilities decreased to EUR 12.4 million due to repayments.

[3] The Net Promoter Score is obtained by asking customers a single question on a 0 to 10 rating scale: "How likely is it that you would recommend our company to a friend or colleague?" Based on their responses, customers are categorized into one of three groups: promoters (9-10 rating), passives (7-8 rating), and detractors (0-6 rating). The percentage of detractors is then subtracted from the percentage of promoters to obtain a Net Promoter Score.

Non-current liabilities increased by EUR 30.7 million from EUR 63.6 million at year-end 2015 to EUR 94.3 million at the end of June 2016 mainly due to higher non-current financial liabilities. The increase in non-current financial liabilities by EUR 25.6 million mainly arises from new bank loans raised for financing of the acquisition of Overture. At the same time, deferred tax liabilities increased by EUR 3.6 million to EUR 25.6 million mainly due to the recognition of intangible assets and fair value adjustments related to the acquisition of the Overture Networks Group.

Stockholders' equity increased from EUR 215.9 million reported on December 31, 2015, to EUR 218.0 million on June 30, 2016. The equity ratio was at 47.9% on June 30, 2016, after 55.1% on December 31, 2015, while the non-current assets ratio amounted to 122.2% and 149.4%, respectively. This healthy balance sheet structure reflects ADVA Optical Networking's careful financing strategy.

Balance sheet ratios (in %)		**Jun. 30, 2016**	**Dec. 31, 2015**
Equity ratio	Stockholders' equity / Total assets	47.9	55.1
Non-current asset ratio	Stockholders' equity / Non-current assets	122.2	149.4
Liability structure	Current liabilities / Total liabilities	60.2	63.8

Capital Expenditures
Capital expenditures for additions to property, plant and equipment in 6M 2016 amounted to EUR 5.7 million, above the EUR 4.3 million seen in 6M 2015.

Capital expenditures for intangible assets of EUR 16.2 million in 6M 2016 were slightly up from EUR 16.4 million in 6M 2015. This total mainly consists of capitalized development projects of EUR 15.8 million in 6M 2016 after EUR 16.1 million in 6M 2015 and capital expenditures for other intangible assets of EUR 0.4 million in 6M 2016 after EUR 0.3 million in 6M 2015.

Cash Flow (in millions of EUR)	**6M 2016**	**Portion of cash**	**6M 2015**	**Portion of cash**
Operating cash flow	24.4	29.6%	16.6	21.1%
Investing cash flow	-54.3	65.7%	-20.4	26.0%
Financing cash flow	19.1	23.1%	-3.5	4.4%
Net effect of foreign currency translation on cash and cash equivalents	-0.6	0.7%	2.2	2.9%
Net change in cash and cash equivalents	**-11.4**	**13.7%**	**-5.1**	**6.4%**
Cash and cash equivalents at the beginning of the period	93.9	113.7%	83.9	106.4%
Cash and cash equivalents at the end of the period	**82.5**	**100.0%**	**78.8**	**100.0%**

Cash flow from operating activities was positive EUR 24.4 million in 6M 2016, after positive EUR 16.6 million in 6M 2015, and mainly relates to the effect of non-cash depreciation charges.

Cash flow from investing activities amounted to negative EUR 54.3 million in 6M 2016 after negative EUR 20.4 million in 6M 2015. The significantly increased use of funds for investing activities is largely due to cash outflows in the acquisition of Overture.

Finally, net cash inflows of EUR 19.1 million were reported for financing activities in 6M 2016, after EUR 3.5 million cash outflows for financing activities in 6M 2015. The cash flow in 6M 2016 is mainly due to inflows from taking up new loans only partly compensated by the servicing of existing debt. In 6M 2015 the cash outflow mainly related to servicing of existing debts.

Overall, including the net effect of foreign currency translation of negative EUR 0.6 million in 6M 2016, cash and cash equivalents decreased by EUR 11.4 million, from EUR 93.9 million at the end of December 2015 to EUR 82.5 million on June 30, 2016.

Financing and Liquidity

ADVA Optical Networking's financial management objective is to provide sufficient funds to ensure ongoing operations and to support the Group's future growth. Beyond the strong equity base appropriate for the growing business, ADVA Optical Networking finances its business by means of liabilities with maturities typically exceeding the life of the assets being financed. For any liability taken, ADVA Optical Networking is focused on minimizing related interest cost, as long as access to funds is not at risk. Excess funds are invested in short-term interest-bearing term deposits.

Financial liabilities (in millions of EUR)	**Jun. 30, 2016**	**Dec. 31, 2015**
Current financial liabilities	12.4	18.2
Non-current financial liabilities	50.1	24.5
Total financial liabilities	**62.5**	**42.7**

Total financial liabilities increased by EUR 19.8 million. While the current portion decreased by EUR 5.8 million, the non-current portion significantly increased from EUR 24.5 million on December 31, 2015 to EUR 50.1 million at the end of June 2016. The increase in non-current financial liabilities mainly results from new loans taken up for financing of the acquisition of Overture.

On June 30, 2016, the Group had available EUR 8.0 million of undrawn committed borrowing facilities (December 31, 2015: EUR 8.0 million).

Net liquidity represents one of the four key performance indicators for ADVA Optical Networking. Due to the decrease in cash and cash equivalents in 6M 2016, and increased financial liabilities ADVA Optical Networking's net liquidity decreased from EUR 51.2 million at year-end 2015 to EUR 20.0 million at the end of June 2016. Cash and cash equivalents on June 30, 2016, and on December 31, 2015, were invested mainly in EUR, USD and GBP. At the end of June 2016 and at the end of December 2015, EUR 0.2 million and EUR 0.1 million of cash and cash equivalents was restricted, respectively.

Net liquidity (in millions of EUR)	**Jun. 30, 2016**	**Dec. 31, 2015**
Cash and cash equivalents	82.5	93.9
- financial liabilities		
current	-12.4	-18.2
non-current	-50.1	-24.5
Net liquidity	**20.0**	**51.2**

ADVA Optical Networking's liquidity ratios remain strong and reflect the healthy balance sheet structure.

Financing ratios		Jun. 30, 2016	Dec. 31, 2015
Cash ratio	Cash and cash equivalents / Current liabilities	0.58	0.84
Quick ratio	Monetary current assets* / Current liabilities	1.37	1.47
Current ratio	Current assets / Current liabilities	1.94	2.20

* Monetary current assets are defined as the sum of cash and cash equivalents, short-term investments and securities and trade accounts receivable.

Return on capital employed in 6M 2016 was at positive 2.7%, down from positive 8.7% reported in 6M 2015. This development is mainly due to the decline in operating result in 6M 2016 while investment in working capital increased at the same time.

Return on capital employed (ROCE) (base data in millions of EUR)		6M 2016	6M 2015
Operating income		4.1	10.7
Average total assets*		424.2	347.4
Average current liabilities*		124.0	98.1
ROCE	Operating income, annualized / Ø total assets - Ø current liabilities	**2.7%**	**8.7%**

* Arithmetic average of the quarterly balance sheet values (Dec. 31 of the previous year, Mar. 31 and Jun. 30 of the year).

Transactions with Related Parties

Transactions with related individuals and legal entities are discussed in note (25) to the six-month consolidated interim financial statements.

Summary: Net Assets and Financial Position

The net assets and financial position of ADVA Optical Networking continues to be strong in 6M 2016, albeit the lower levels of cash and cash equivalents as well as net liquidity compared to year-end 2015. This development mainly relates to cash outflows for the acquisition of Overture Networks Group.

Events After the Balance Sheet Date

There were no events after the balance sheet date that impacted the financial position of the Group on June 30, 2016, or its financial performance for the reporting period then ended. Similarly there were no events considered material for disclosure.

Risk Report

ADVA Optical Networking's future development is subject to various general and Group-specific risks, which in certain cases can also endanger the Group's continued existence. Unknown risks, uncertainties and other factors are discussed in the "risk report" section of the 2015 Annual Report.

Outlook

Based on the macroeconomic framework, ADVA Optical Networking anticipates a compound annual growth rate of 9%[4] for the Group's addressable market between the years 2015 – 2018. The greatest growth potential is forecast for enterprise networks that interconnect data centers.

The global megatrends cloud and mobility still drive sustainable growth for the Group's addressable market. The demand for cloud and mobile services is driving demand for more and bigger data centers, and thus also the demand for more bandwidth and transmission technology to interconnect them.

In order to ensure sustainable corporate success, ADVA Optical Networking focuses on the following long-term strategic objectives:

- Grow global revenues profitably through continued strong direct sales and marketing efforts with a solid focus on key accounts, new customer wins, optimized distribution partnerships, service and software business.
- Expand the Group's proven innovation leadership and increase footprint by meeting strategic customers' demand for innovative connectivity solutions quickly and comprehensively.
- Improve operational excellence by further focusing on industry-leading processes and best-in-class execution, which will result in product and service quality leadership, improved efficiency and increased overall customer satisfaction.
- Recruit, retain, motivate, educate and nurture the Group's employees to sustainably achieve high levels of performance, personal growth and job satisfaction, while keeping employee turnover low.

ADVA Optical Networking aims to further improve profitability and achieve revenue growth above average market growth in 2016. The following factors, will play a major role:

- Internet content providers build new and larger data centers that need to be connected with optical transmission technology. The FSP 3000 CloudConnect™ has been specifically designed for this target group and ADVA Optical Networking expects additional growth from this application.
- Large companies build geographically dispersed data protection and storage solutions, requiring optical transmission technology. The security package ConnectGuard™ brings competitive advantage and increased customer loyalty. ADVA Optical Networking expects solid growth in this segment with good profitability.
- Carrier infrastructure upgrades will continue in 2016. The investment focus is shifting towards metro networks, where ADVA Optical Networking is particularly well positioned.
- The NFV functions on the ADVA FSP 150, which were introduced in 2015, combined with the acquisition of Overture in January 2016, strengthen the visibility and the scope of ADVA Optical Networking in the future market for cloud access solutions. The company expects first commercial success with this technology by the second half of 2016.

[4] Industry Analysis estimates for metro and long-haul WDM equipment ("Optical") and Ethernet access devices ("Ethernet"), which are relevant for ADVA Optical Networking. Sources: Infonetics Research, Optical Networking Hardware, Quarterly Market Share, Size, and Forecasts 2Q15, August 2015 and Infonetics Research, Ethernet Access Devices Biannual Market Share, Size and Forecasts, 2nd Edition, September 2015.

The global megatrends cloud and mobility continue to fuel growth of the network equipment industry and support ADVA Optical Networking's strategy to be the trusted partner for open networking solutions. The combination of application-optimized innovation, short development and delivery times, a broad and growing customer base and a well-balanced distribution model differentiates ADVA Optical Networking from its peers and leads to a profitable business model.

Based on these factors, and taking into account planning parameters such as personnel and currency exchange rates, the Management Board of ADVA Optical Networking expects the Group to grow faster than the average market and increase revenues in a double digit percentage range. The Group will continue to selectively invest in product development, technology and revenue-generating opportunities. In addition, the Management Board of ADVA Optical Networking expects, due to the continued focus on innovation, quality and service, that customer satisfaction in 2016 will also be maintained at the record levels of the 2015 Net Promoter Score[3]. Actual results may differ materially from expectations if risks materialize or the underlying assumptions prove unrealistic.

Meiningen, July 19, 2016

Brian Protiva

Christoph Glingener | Ulrich Dopfer

Six-Month IFRS Consolidated Financial Statements

Consolidated Statement of Financial Position (Unaudited)

(in thousands of EUR)	Note	Jun. 30, 2016	Dec. 31, 2015
Assets			
Current assets			
Cash and cash equivalents	(6)	82,521	93,850
Trade accounts receivable	(7)	112,045	70,379
Inventories	(8)	67,720	72,950
Tax assets		2,465	1,092
Other current assets	(9)	11,392	8,747
Total current assets		**276,143**	**247,018**
Non-current assets			
Property, plant and equipment	(10)	22,571	19,955
Goodwill		38,051	24,881
Capitalized development projects	(11)	64,739	62,439
Intangible assets acquired in business combinations	(11)	14,829	2,316
Other intangible assets	(11)	1,738	1,922
Deferred tax assets		32,115	29,133
Other non-current assets	(9)	4,659	3,871
Total non-current assets		**178,702**	**144,517**
Total assets		**454,845**	**391,535**

(in thousands of EUR)	Note	Jun. 30, 2016	Dec. 31, 2015
Equity and liabilities			
Current liabilities			
Financial liabilities	(12)	12,398	18,220
Trade accounts payable	(13)	77,052	43,721
Advance payments received		370	314
Other provisions	(14)	16,172	9,891
Tax liabilities		3,437	2,227
Deferred revenues		16,328	10,802
Other current liabilities	(13)	16,712	26,859
Total current liabilities		**142,469**	**112,034**
Non-current liabilities			
Financial liabilities	(12)	50,084	24,449
Provisions for pensions and similar employee benefits		4,357	4,048
Other provisions	(14)	1,913	1,632
Deferred tax liabilities		25,641	22,026
Deferred revenues		8,515	7,721
Other non-current liabilities	(13)	3,804	3,704
Total non-current liabilities		**94,314**	**63,580**
Total liabilities		**236,783**	**175,614**
Stockholders' equity entitled to the owners of the parent company	(15)		
Share capital		49,381	49,374
Capital reserve		311,322	310,645
Accumulated deficit		-148,502	-175,350
Net income		4,643	26,848
Accumulated other comprehensive income		1,218	4,404
Total stockholders' equity		**218,062**	**215,921**
Total equity and liabilities		**454,845**	**391,535**

Consolidated Income Statement (Unaudited)

(in thousands of EUR, except earnings per share and number of shares)	Note	Q2 2016	Q2 2015	6M 2016	6M 2015
Revenues	(16)	**157,243**	**112,260**	**279,205**	**207,864**
Cost of goods sold		-114,860	-73,632	-196,945	-134,754
Gross profit		**42,383**	**38,628**	**82,260**	**73,110**
Selling and marketing expenses		-15,553	-13,988	-31,328	-27,458
General and administrative expenses		-7,831	-7,464	-15,601	-14,759
Research and development expenses	(11)	-17,165	-10,823	-34,068	-22,126
Other operating income	(17)	1,429	1,172	3,145	2,317
Other operating expenses	(17)	-183	-103	-334	-327
Operating income		**3,080**	**7,422**	**4,074**	**10,757**
Interest income	(18)	258	12	269	25
Interest expenses	(18)	-205	-247	-407	-525
Other financial gains and losses, net	(19)	2,011	-1,621	-4,034	485
Income (loss) before tax		**5,144**	**5,566**	**-98**	**10,742**
Income tax benefit (expense), net	(20)	4,662	-440	4,741	-1,352
Net income entitled to the owners of the parent company		**9,806**	**5,126**	**4,643**	**9,390**
Earnings per share in EUR					
basic		0.20	0.11	0.09	0.19
diluted		0.20	0.11	0.09	0.19
Weighted average number of shares for calculation of earnings per share					
basic		49,377,102	48,235,543	49,378,604	48,347,797
diluted		50,172,312	48,785,031	50,173,814	48,897,285

Consolidated Statement of Comprehensive Income (Unaudited)

(in thousands of EUR)	Q2 2016	Q2 2015	6M 2016	6M 2015
Net income entitled to the owners of the parent company	**9,806**	**5,126**	**4,643**	**9,390**
Items that possibly get reclassified to profit or loss in future periods	425	-706	-3,186	7,716
Exchange differences on translation of foreign operations				
Items that not get reclassified to profit or loss in future periods				
Remeasurement of defined benefit plans	-	-	-	-
Total comprehensive income entitled to the owners of the parent company	**10,231**	**4,420**	**1,457**	**17,106**

Remeasurement of defined benefit plans is regularly done at year-end. Thus in 6M 2016 no effects from remeasurement were recognized.

In 6M 2016 and 6M 2015, no items were reclassified (recycled) from comprehensive income to profit or loss.

Consolidated Cash Flow Statement (Unaudited)

(in thousands of EUR)	Note	Q2 2016	Q2 2015	6M 2016	6M 2015
Cash flow from operating activities					
Income (loss) before tax		5,144	5,566	-98	10,742
Adjustments to reconcile income (loss) before tax to net cash provided by operating activities					
Non-cash adjustments					
Amortization of non-current assets		9,521	9,308	20,148	18,442
Loss from disposal of property, plant and equipment and intangible assets		15	206	17	224
Stock compen-sation expenses	(24)	362	204	647	438
Other non-cash income and expenses (net)		325	363	582	632
Foreign currency exchange differences		-572	-273	-1,109	2,088
Changes in assets and liabilities					
Decrease (increase) in trade accounts receivable		-19,237	1,633	-34,589	-19,236
Decrease (increase) in inventories		8,182	-6,912	12,802	-18,930
Decrease (increase) in other assets		-2,132	621	-2,523	-1,189
Increase (decrease) in trade accounts payable		19,268	4,324	30,063	19,178
Increase (decrease) in provisions		1,849	1,299	5,131	5,135
Increase (decrease) in other liabilities		-317	2,083	-6,164	-352
Income tax paid		-25	-287	-492	-530
Net cash provided by operating activities		**22,383**	**18,135**	**24,415**	**16,642**

(in thousands of EUR)	Note	Q2 2016	Q2 2015	6M 2016	6M 2015
Cash flow from investing activities					
Proceeds from disposal of property, plant and equipment and intangible assets		-	75	-	127
Proceeds from government grants		-	-	-	126
Investment in property, plant and equipment	(10)	-3,305	-2,709	-5,661	-4,286
Investment in intangible assets	(11)	-8,108	-8,845	-16,220	-16,434
Net cash used in acquisition of affiliated companies		-	-	-32,409	-
Interest received		12	-2	23	23
Net cash used in investing activities		**-11,401**	**-11,481**	**-54,267**	**-20,444**
Cash flow from financing activities					
Proceeds from exercise of stock options		19	843	19	843
Cash repayment of financial liabilities for share-based compensation instruments	(12)	-	-52	-	-64
Payments received from financial liabilities		-	-	35,000	-
Cash repayment of financial liabilities		-1,563	-1,563	-15,199	-3,700
Interest paid		-337	-273	-725	-564
Net cash provided by/(used in) financing activities		**-1,881**	**-1,045**	**19,095**	**-3,485**
Net effect of foreign currency translation on cash and cash equivalents		18	-148	-572	2,229
Net change in cash and cash equivalents		**9,119**	**5,461**	**-11,329**	**-5,058**
Cash and cash equivalents at beginning of period		73,402	73,358	93,850	83,877
Cash and cash equivalents at end of period		**82,521**	**78,819**	**82,521**	**78,819**

Consolidated Statement of Changes in Stockholders' Equity (Unaudited)

(in thousands of EUR, except number of shares)	Share capital					
	Number of shares	Par value	Capital reserve	Net income/(loss) and accumulated deficit	Accumulated other comprehensive loss	Total stockholders' equity entitled to the owners of the parent company
Balance on January 1, 2015	**48,096,431**	**48,096**	**307,914**	**-175,350**	**-3,546**	**177,114**
Capital increase, including exercise of stock options	430,280	431	412			843
Stock options outstanding			450			450
Net income				9,390		9,390
Exchange differences on translation of foreign operations					7,716	7,716
Total comprehensive income				9,390	7,716	17,106
Balance on June 30, 2015	**48,526,711**	**48,527**	**308,776**	**-165,960**	**4,170**	**195,513**
Balance on January 1, 2016	**49,374,484**	**49,374**	**310,645**	**-148,502**	**4,404**	**215,921**
Capital increase, including exercise of stock options	6,900	7	12			19
Stock options outstanding			665			665
Net income				4,643		4,643
Exchange differences on translation of foreign operations					-3,186	-3,186
Total comprehensive income				4,643	-3,186	1,457
Balance on June 30, 2016	**49,381,384**	**49,381**	**311,322**	**-143,859**	**1,218**	**218,062**

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

(1) Information about the Company and the Group

The Company's registered office is at its main manufacturing site in Maerzenquelle 1-3, 98617 Meiningen, Germany. The Company's headquarters are in Fraunhoferstrasse 9a, 82152 Martinsried/Munich, Germany. Hereinafter, ADVA Optical Networking SE is referred to as „the Company".

The ADVA Optical Networking Group (hereinafter referred to as „ADVA Optical Networking" or „the Group") develops, manufactures and sells optical and Ethernet-based networking solutions to telecommunications carriers and enterprises to deliver data, storage, voice and video services.

Telecommunications service providers, private companies, universities and government agencies worldwide use the Group's systems. ADVA Optical Networking sells its product portfolio both directly and through an international network of distribution partners.

(2) Basis of Preparation and Accounting Policies

The Group's consolidated interim financial statements for the period ended June 30, 2016, are prepared in accordance with IAS 34. The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements per December 31, 2015.

The condensed interim consolidated financial statements for the period ended June 30, 2016, have neither been audited nor subject to a limited review by the Group auditor PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich.

The condensed interim consolidated financial statements are presented in EUR. Unless otherwise stated, all amounts quoted are in thousands of EUR. The balance sheet is broken down into current and non-current assets and liabilities. The classification of income and expenses in the income statement is based on their function within the entity. Where items on the balance sheet and in the income statement are summarized in the interest of clarity, this is explained in the notes to the consolidated financial statements. The additional disclosure requirements in order to comply with section 315 a paragraph 1 of the German Commercial Code (Handelsgesetzbuch, HGB) are all met.

The interim financial statements of the individual subsidiaries of the holding company ADVA Optical Networking SE, as subsumed in the condensed interim consolidated financial statements, are all prepared using the same accounting and valuation policies and the same balance sheet date.

The result of the six-month period through June 30, 2016, cannot be extrapolated to the result of the full year 2016.

(3) Effects of New Standards and Interpretations

The accounting policies followed are consistent with those of the prior financial year, except for the adoption of new and amended IFRSs and interpretations (IFRICs) during 6M 2016.

Standards, amendments and interpretations applicable for the first time in 2016
In 6M 2016, following standards and interpretations have been adopted for the first time.

Standard	Topic	First-time adoption*	Expected impact on the financial position and performance
IFRS 14	Regulatory Deferral Accounts (new standard)	Jan. 1, 2016	none
Amendments to IAS 1	Disclosure initiative	Jan. 1, 2016	none
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortization	Jan. 1, 2016	none
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	Jan. 1, 2016	none
Annual improvements 2014	The improvements include changes to: IFRS 5 – Non-current assets held for sale and discontinued operations IFRS 7 – Financial Instruments: Disclosure IAS 19 – Employee Benefits IAS 34 – Interim Financial Reporting	Jan. 1, 2016	none

* To be applied in the first reporting period of a financial year beginning on or after this date.

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IFRS 14 specifies the financial reporting requirements for regulatory deferral account balances that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation.

The first step of the disclosure initiative of the IASB has been finalized by the publication of amendments to IAS 1 Presentation of Financial Statements. The amendments mainly include clarifications regarding existing regulations and interpretations.

The requirements of IAS 16 are amended to clarify that a depreciation method that is based on revenue generated by an activity that includes the use of an asset is not appropriate. The requirements of IAS 38 are amended to introduce a rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reasons as in IAS 16. In addition, guidance is introduced into both standards to explain that expected future reductions in selling prices could be indicative of a higher rate of consumption of the future economic benefits embodied in an asset.

The amendments to IFRS 11 clarify the accounting for acquisitions of an interest in a joint operation in which the activity constitutes a business.

New accounting requirements not yet endorsed by the EU
The IASB and the IFRIC have issued further Standards and Interpretations in 2016 and previous years that are not applicable for the financial year 2016. In addition, the first-time adoption is subject to endorsement by the EU.

Standard	Topic	First-time adoption*	Expected impact on the financial position and performance
IFRS 15	Revenue from Contracts with Customers	Jan. 1, 2018	under review
IFRS 9 (2014)	Financial Instruments (new standard)	Jan. 1, 2018	under review
IFRS 16	Leases	Jan. 1, 2019	under review
Amendments to IAS 12	Recognition of deferred tax assets related to unrealized losses	Jan. 1, 2017	under review
Amendments to IAS 7	Disclosure initiative	Jan. 1, 2017	under review
Amendments to IFRS 2	Share-based payment	Jan. 1, 2018	under review
Amendments to IAS 28 and IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	not yet defined	none

* To be applied in the first reporting period of a financial year beginning on or after this date.

IFRS 15 specifies how and when revenues will be recognized based on a single, principles based five-step model to be applied to all contracts with customers. Additionally, the standard defines comprehensive disclosure requirements.

IFRS 9 (2014) in its final version replaces regulations formerly included in IAS 39 Financial Instruments: Recognition and Measurement. It supersedes all regulations previously published. The Standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. The regulations of IAS 39 for macro hedge accounting have not been replaced and will be dealt with by the IASB in a separate project.

On January 13, 2016, the IASB published IFRS 16 Leases regarding accounting of lease contracts. The new standard will replace IAS 17 and all related interpretations.

Besides the described standards, the adoption of new or revised standards and interpretations – from today’s perspective – will not have a material impact on the financial position and performance of the Company or the Group. The Group does not plan an early adoption of these standards.

(4) Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities on the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Discussed below are the key judgments and assumptions concerning the future and other key sources of estimation of uncertainty on the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year.

Development expenses
Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. See note (11) for the carrying amounts involved.

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets on each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of these cash flows. See note (10) and (11) for the carrying amounts involved.

Employee benefits
Pension and similar post-employment obligations as well as the related expenses are recognized based on actuarial calculations. The actuarial valuation of the present value of pension obligations depends on a number of assumptions regarding the discount rate, the expected salary increase rate, the expected pension trend, and life expectancy. In the event that changes in the assumptions regarding the valuation parameters are required, the future amounts of the pension obligations as well as the pension benefit costs may be affected materially.

Share-based compensation transactions
The Group measures the cost of equity-settled and cash-settled transactions with employees by reference to the fair value of the equity instruments on the date at which they are granted or on the balance sheet date. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the expected life of the option, volatility and dividend yield, as well as further assumptions.

Provisions
Significant estimates are involved in the determination of provisions related to warranty costs and legal proceedings. The estimate of warranty claims is based on historic data and is extrapolated into the future. Legal proceedings often involve complex legal issues and are subject to substantial uncertainties. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the end of the reporting period, whether it is more likely than not that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. Other provisions are described in note (14).

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available to utilize these losses. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(5) Scope of Consolidation

Acquisition of Overture Networks Inc.
On January 13, 2016 ADVA NA Holding Inc., Atlanta, Georgia, USA, a new established 100% subsidiary of ADVA Optical Networking SE, acquired 100% of the shares of Overture Networks Inc., Morrisville, North Carolina, USA, for a preliminary cash consideration due at the same date of USD 39,516 thousand (EUR 36,535 thousand, translated at the relevant foreign currency exchange rate at the date of payment). In addition, an earn-out payment of USD 5,000 thousand in cash will be due if specified sales volumes are reached. Furthermore, additional expenses of the acquisition amounting to EUR 293 thousand have been recognized immediately in the income statement.

Overture Networks Inc. together with its three 100% subsidiaries Overture International Inc., Morrisville, North Carolina, USA, Overture Networks Ltd., Bristol, United Kingdom und Overture Networks India Private Ltd., Bangalore, India (hereinafter referred to as „Overture Networks Group") currently employ a total number of 168 employees. The Overture Networks Group mainly focusses on the development of cloud access solutions. The acquired technologies and know-how will further expand ADVA Optical Networking's cloud access solution portfolio. Additionally, the Overture Networks Group successfully sells Carrier Ethernet Access products predominantly in North America.

The preliminary purchase price allocation according to IFRS 3 performed on January 13, 2016, included in the consolidated interim report as of end of June 2016 incorporates the cash consideration as already paid, the fair value of the stipulated contingent consideration at the date of the acquisition amounting to USD 850 thousand (EUR 786 thousand, translated at the relevant foreign currency exchange rate at the date of acquisition) as well as preliminary opening balances of assets and liabilities according to IFRS. During the course of the consolidation purchased technologies, a trade name and acquired customer relationships were recognized. Moreover, fair value adjustments regarding inventories, property, plant and equipment, deferred tax assets and liabilities as well as deferred revenues have been considered. The remaining preliminary excess purchase price is classified as goodwill and represents the fair value of anticipated synergies from the acquisition as well as the assembled workforce of the Overture Networks Group. The exercise of an option under US tax laws currently still under review in the second half of 2016 can have an impact on deferred tax positions taken into account in the current reporting period.

The expected remaining useful lives of the acquired intangible assets are as follows:

Hardware technology	4 years
Software technology	6 years
Trade name	5 years
Acquired customer relationships	8 years.

The preliminary fair values of acquired assets and liabilities at the date of the acquisition and carrying amounts immediately prior to the date of the acquisition comprise as follows:

(in thousands of EUR)	**Carrying amount**	**Fair value at the date of the acquisition**
Cash and cash equivalents	4,581	4,581
Trade accounts receivable	7,077	7,077
Inventory	4,831	7,572
Property, plant and equipment and other intangible assets	1,317	2,270
Purchased technologies	-	8,679
Trade name	-	222
Acquired customer relationships	-	5,418
Deferred tax asset	-	899
Other current and non-current assets	786	786
Trade accounts payable	-3,268	-3,268
Provisions and other current and non-current liabilities	-2,410	-2,410
Deferred revenues	-	-1,627
Deferred tax liabilities	-	-7,060
Preliminary net assets	**12,914**	**23,139**
Preliminary goodwill		**14,182**
Preliminary purchase price		**37,321**

The preliminary net cash outflow from the acquisition is comprised as follows:

(in thousands of EUR)	
Cash and cash equivalents acquired from the Overture Networks Group	4,581
Cash paid in acquisition	-36,535
Preliminary cash outflow from acquisition	**-31,954**

From the date of the acquisition, the Overture Networks Group has contributed EUR 15,603 thousand to revenues and positive EUR 80 thousand to the net income of ADVA Optical Networking. If the acquisition would have been effective on January 1, 2016, the Group's revenues would have been further increased by additional EUR 1,689 thousand while net income of the Group would have been EUR 306 thousand lower. The Overture Networks Group has not yet been integrated in the ADVA Optical Networking transfer pricing calculation.

Cash outflow related to the acquisition of a development division of FiSEC GmbH
In Q1 2016, the second instalment of the FiSEC acquisition purchase price amounting to EUR 455 thousand was due and paid out.

(6) Cash and Cash Equivalents

Cash and cash equivalents include the following amounts to which ADVA Optical Networking has only limited access:

(in thousands of EUR)	**Jun. 30, 2016**	**Dec. 31, 2015**
Amounts pledged as security	217	148

On June 30, 2016, cash of EUR 4,205 thousand (December 31, 2015: EUR 2,841 thousand) is held in China and is subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash equivalents are invested for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

On June 30, 2016, the Group had EUR 8,000 thousand available (on December 31, 2015: EUR 8,000 thousand) of undrawn committed borrowing facilities in respect of which all conditions had been met.

(7) Trade Accounts Receivable

As a result of an agreement on the sale of accounts receivable entered into on September 16, 2008, interest expenses of EUR 116 thousand were incurred in 6M 2016 (6M 2015: EUR 117 thousand).

(8) Inventories

In 6M 2016, write-downs amounting to EUR 1,334 thousand (6M 2015: EUR 1,913 thousand) were recognized as expense within costs of goods sold. This amount includes reversals of earlier write-downs in the amount of EUR 416 thousand (6M 2015: EUR 653 thousand) due to higher selling and input prices.

In 6M 2016 and 6M 2015, material costs of EUR 159,980 thousand and EUR 100,813 thousand, respectively, have been recognized.

(9) Other Current and Non-Current Assets

On June 30, other current assets can be analyzed as follows:

(in thousands of EUR)	**Jun. 30, 2016**	**Dec. 31, 2015**
Non-financial assets		
Prepaid expenses	2,837	1,596
Receivables due from tax authorities	2,567	1,617
Other	2,630	1,459
Total current non-financial assets	**8.034**	**4,672**
Financial assets		
Government grant allowances for research projects	2,300	1,800
Positive fair values of derivative financial instruments	540	1,833
Other	518	442
Total current financial assets	**3,358**	**4,075**
	11,392	**8,747**

Other current assets are non-interest-bearing and are generally due within 0 to 60 days.

Further disclosures on derivative financial instruments are given in note (19).

On June 30, other non-current assets can be analyzed as follows:

(in thousands of EUR)	**Jun. 30, 2016**	**Dec. 31, 2015**
Financial assets		
Investments	1,374	1,198
Government grant allowances for research projects	2,137	1,453
Other	1,148	1,220
Total non-current financial assets	**4,659**	**3,871**

On June 30, 2016, government grants for twelve research projects are recognized (December 31, 2015: twelve research projects). These public grants relate to programs promoted by the EU and national governments.

In 6M 2016 investments increased by USD 200 thousand (EUR 176 thousand) due to participation of ADVA Optical Networking SE in a capital funding round of Saguna Networks Ltd.

(10) Property, Plant and Equipment

Property, plant and equipment can be analyzed as follows:

(in thousands of EUR)	Jun. 30, 2016	Dec. 31, 2015
Land and buildings	6,763	6,823
Technical equipment and machinery	11,750	10,598
Factory and office equipment	2,723	2,316
Assets under construction	1,335	218
	22,571	**19,955**

In 6M 2016 and 6M 2015, there were neither impairments nor write-backs of property, plant and equipment impaired in prior years.

In 6M 2016, the Group has not received cash payments for government grants related to purchases (6M 2015: EUR 126 thousand). Based on grant notifications no historical costs have been deducted in 6M 2016 (6M 2015: nil).

(11) Capitalized Development Projects, intangible assets acquired in business combinations and Other Intangible Assets

The table below summarizes the carrying amounts:

(in thousands of EUR)	Jun. 30, 2016	Dec. 31, 2015
Capitalized development projects	64,739	62,439
Intangible assets acquired in business combinations	14,829	2,316
Other intangible assets	1,738	1,922
	81,306	**66,677**

In 6M 2016, borrowing costs of EUR 348 thousand (6M 2015: EUR 95 thousand) were capitalized related to development projects with an expected duration of more than 12 months.

Intangible assets acquired in business combinations can be analyzed as follows:

(in thousands of EUR)	Jun. 30, 2016	Dec. 31, 2015
Purchased technology Biran	157	210
Purchased technology Time4 Systems	520	584
Purchased technology FiSEC	1,138	1,283
Purchased hardware technology Overture	3,789	-
Purchased software technology Overture	3,866	-
Brand Overture	197	-
Purchased customer relationships OSA	181	239
Purchased customer relationships Overture	4,981	-
	14,829	**2,316**

Amortization of intangible assets
Amortization of intangible assets with a finite useful life comprises:

(in thousands of EUR)	Q2 2016	Q2 2015	6M 2016	6M 2015
Capitalized development projects	6,046	6,575	13,201	12,953
Intangible assets acquired in business combinations	771	45	1,442	179
Other intangible assets	369	339	790	678
	7,186	**6,959**	**15,433**	**13,810**

Amortization of intangible assets acquired in business combinations can be analyzed as follows:

(in thousands of EUR)	Q2 2016	Q2 2015	6M 2016	6M 2015
Purchased technology Covaro	-	-	-	91
Purchased technology Biran	26	26	52	51
Purchased technology Time4 Systems	32	-	64	-
Purchased technology FiSEC	72	-	145	-
Purchased hardware technology Overture	262	-	487	-
Purchased software technology Overture	172	-	318	-
Brand Overture	11	-	20	-
Purchased customer relationships OSA	28	19	56	37
Purchased customer relationships Overture	168	-	300	-
	771	**45**	**1,442**	**179**

Purchased technology Covaro has been fully depreciated in 2015.

(12) Financial liabilities

In January 2016, ADVA Optical Networking SE entered into two loan agreements with IKB Deutsche Industriebank in total amounting to EUR 35,000 thousand. Each loan has a 5-year maturity and a fixed interest rate of 1.40% per annum. The loans principals will be repaid in 16 equal instalments of EUR 2,188 thousand in total per quarter commencing in Q1 2017.

Already in December 2015, ADVA Optical Networking SE terminated the bonded loan of Portigon AG amounting to EUR 11,500 thousand prior to maturity. The loan has been fully repaid in January 2016.

On June 30, 2016, the net book value and fair value of the loans amount to EUR 62,482 thousand and EUR 62,572 thousand, respectively. For all other financial assets and liabilities included in the balance sheet at June 30, 2016, the fair value corresponds with the book value of the respective positions. The classification of financial assets and liabilities is in line with the disclosure in the Group's annual financial statements per December 31, 2015.

(13) Trade Accounts Payable and Other Current and Non-Current Liabilities

The trade accounts payable are non-interest-bearing and generally due within 30 to 90 days.

Other current liabilities on June 30, can be analyzed as follows:

(in thousands of EUR)	Jun. 30, 2016	Dec. 31, 2015
Non-financial liabilities		
Liabilities to employees for vacation	5,024	1,093
Liabilities due to withheld wage income tax and social security contribution	2,441	2,220
Liabilities due to tax authorities	2,189	2,385
Obligations from subsidized research projects	2,250	1,714
Other	665	1,562
Total current non-financial liabilities	**12,569**	**8,974**
Financial liabilities		
Liabilities to employees for variable compensation and payroll	2,828	16,133
Negative fair values of derivative financial instruments	519	41
Other	796	1,711
Total current financial liabilities	**4,143**	**17,885**
	16,712	**26,859**

On June 30, other non-current liabilities include:

(in thousands of EUR)	Jun. 30, 2016	Dec. 31, 2015
Non-financial liabilities		
Obligations from subsidized research projects	2,346	1,681
Other	1,100	1,265
Total non-current non-financial liabilities	**3,446**	**2,946**
Financial liabilities		
Other	358	758
Total non-current financial liabilities	**358**	**758**
	3,804	**3,704**

On June 30, 2016, other non-current non-financial liabilities primarily include deferred rental expense of EUR 1,090 thousand (December 31, 2015: EUR 1,247 thousand).

(14) Other Provisions

On June 30, other provisions include:

(in thousands of EUR)	Jun. 30, 2016	Dec. 31, 2015
Current provisions		
Warranty provision	941	815
Personnel provisions	7,564	461
Other current provisions	7,667	8,615
	16,172	**9,891**
Non-current provisions		
Warranty provision	1,072	882
Personnel provisions	818	735
Other non-current provisions	23	15
	1,913	**1,632**
	18,085	**11,523**

The estimated expenses related to warranty claims reflect both past experience and current developments and are based on a percentage of sales revenues. Any differences between actual amounts and anticipated amounts are treated as changes in accounting estimates and affect earnings in the period in which the change occurs.

Current personnel provisions mainly include variable compensation payments. For year-end reporting, variable compensation payments are reclassified to other liabilities.

Other current provisions primarily include provisions for outstanding invoices of uncertain amount and timing and provisions for potential obligations from existing contracts.

Non-current personnel provisions mainly include liabilities from share-based compensation transactions.

(15) Stockholders’ Equity

On June 30, 2016, the share capital amounts to EUR 49,381 thousand (on December 31, 2015: EUR 49,374 thousand).

In connection with the exercise of stock options, 6,900 shares were issued to employees and management board of the Company and its Group companies out of conditional capital in 6M 2016. The par value of EUR 7 thousand was appropriated to the share capital, whereas the premium of EUR 12 thousand was recognized as capital reserve.

Further details on stockholders’ equity are included in the Consolidated Statement of Changes in Stockholders’ Equity.

(16) Revenues

In 6M 2016 and 6M 2015, revenues included EUR 28,857 thousand and EUR 26,522 thousand for services, respectively. The remaining revenues relate mainly to product sales.

A summary of revenues by geographic region is provided in the section on segment reporting under note (21).

(17) Other Operating Income and Expenses

(in thousands of EUR)	Q2 2016	Q2 2015	6M 2016	6M 2015
Other operating income				
Government grants received	434	503	711	805
Income for the supply of development services	-	219	-	219
Release of bad debt allowances	338	78	578	374
Release of other provisions	543	150	1,535	544
Other	114	222	321	375
	1,429	**1,172**	**3,145**	**2,317**
Other operating expenses				
Impairment of trade accounts receivable	-150	-	-150	-
Other	-33	-103	-184	-327
	-183	**-103**	**-334**	**-327**
Other operating income and expenses, net	**1,246**	**1,069**	**2,811**	**1,990**

(18) Interest Income and Expenses

Interest income primarily includes interest from daily bank deposits and from other short-term deposits with maturities between one day and three months as well as interest income related to tax refunds.

Interest expenses are primarily incurred on financial liabilities and on the sale of receivables. Refer to notes (7) and (12) for further details.

(19) Other Financial Gains (Losses), net, and Derivative Financial Instruments

Other financial gains (losses), net, mainly comprise the following:

(in thousands of EUR)	Q2 2016	Q2 2015	6M 2016	6M 2015
Foreign currency exchange gains	3,307	1,812	5,162	8,071
thereof: gains from forward rate agreements	*263*	*-1,022*	*353*	*1,621*
Foreign currency exchange losses	-1,296	-3,433	-9,196	-7,586
thereof: losses from forward rate agreements	*1,800*	*-585*	*-1,873*	*-624*
	2,011	**-1,621**	**-4,034**	**485**

Forward rate agreements
Between October 16, 2015, and March 18, 2016, the Group entered into seven forward rate agreements to hedge foreign currency exposure of expected future cash flows. These agreements mature between Q3 2016 and Q2 2017. In 6M 2016, unrealized gains and losses, net, amounted to negative EUR 328 thousand (6M 2015: negative EUR 327 thousand).

In 6M 2016, eight forward rate agreements signed between June 18, 2015, and March 18, 2016, matured. A net result of negative EUR 1,192 thousand was realized on these transactions (6M 2015: positive EUR 1,324 thousand).

Fair value disclosures
On June 30, 2016, and December 31, 2015, the Group held the following financial instruments measured at fair value:

(in thousands of EUR)	Fair value		Nominal value	
	Jun. 30, 2016	**Dec. 31, 2015**	**Jun. 30, 2016**	**Dec. 31, 2015**
Forward rate agreements	21	1,792	81,955	66,590

The nominal value is the accounting value from which payments are derived (underlying transaction). Since the nominal value itself is not at risk, the hedged item relates to the potential for changes in foreign exchange rates, interest rates and prices.

The fair value reflects the credit risk of the instrument. Since the Group only uses standard, marketable instruments for its hedges, the fair value is determined using market prices and is not netted against any contrary trend in the value of underlying transactions.

The fair value of these transactions is presented within other current liabilities in the statement of financial position.

(20) Income Taxes

The table below shows the components of the Group's total income tax expense:

(in thousands of EUR)	**Q2 2016**	**Q2 2015**	**6M 2016**	**6M 2015**
Current taxes				
Current income tax charge	-1,895	-347	-2,745	-501
Adjustments in respect of current income tax for prior years	1,642	-442	1,966	-242
	-253	**-789**	**-779**	**-743**
Deferred taxes				
Relating to temporary differences	2,266	405	2,763	110
Relating to changes in tax rates	1	-4	0	-3
Relating to additions to and reversals of deferred tax assets on tax loss carry-forwards	2,648	-52	2,757	-716
	4,915	**349**	**5,520**	**-609**
Income tax benefit (expense), net	**4,662**	**-440**	**4,741**	**-1,352**

In 6M 2016, tax refunds and decrease of tax provisions for prior years, recognition of deferred taxes on loss carry forwards and tax benefits from temporary differences resulted in considerable income tax benefits. The 6M 2015 tax expense is mainly due to additional tax provisions and payments for current and prior periods within the Group and due to the usage of tax loss carry-forwards for prior years.

(21) Segment Reporting

In accordance with IFRS 8 operating segments are identified based on the way information is reported internally to the chief operating decision maker and are regularly reviewed to make decisions about resources to be allocated to the segment and assess its performance. Within the ADVA Optical Networking Group, management decisions are based on pro forma operating results. Pro forma financial information excludes non-cash charges related to share-based compensation plans and amortization and impairment of goodwill and acquisition-related intangible assets. Income from capitalization of development expenses is shown separately from research and development expenses.

Segment information on June 30, 2016 is analyzed as follows:

(in thousands of EUR)	**Pro forma financial information**	**Intangible assets from acquisitions**	**Goodwill**	**Compensation expenses**	**Disclosure of R&D expenses**	**Consolidated financial information**
Revenues	279,205	-	-	-	-	279,205
Cost of goods sold	-195,845	-1,066		-34	-	-196,945
Gross profit	**83,360**	**-1,066**	**-**	**-34**	**-**	**82,260**
Gross margin	***29.9%***					***29.5%***
Selling and marketing expenses	-30,728	-376	-	-224	-	-31,328
General and administrative expenses	-15,475	-	-	-126	-	-15,601
Research and development expenses	-49,494	-	-	-263	15,689	-34,068
Income from capitalization of development expenses	15,689	-	-	-	-15,689	-
Other operating income	3,145	-	-	-	-	3,145
Other operating expenses	-334	-	-	-	-	-334
Operating income	**6,163**	**-1,442**	**-**	**-647**	**-**	**4,074**
Operating margin	***2.2%***					***1.5%***
Segment assets	**401,965**	**14,829**	**38,051**	**-**	**-**	**454,845**

Segment information on June 30, 2015 is analyzed as follows:

(in thousands of EUR)	**Pro forma financial information**	**Intangible assets from acquisitions**	**Goodwill**	**Compensation expenses**	**Disclosure of R&D expenses**	**Consolidated financial information**
Revenues	207,864	-	-	-	-	207,864
Cost of goods sold	-134,577	-142	-	-35	-	-134,754
Gross profit	**73,287**	**-142**	**-**	**-35**	**-**	**73,110**
Gross margin	***35.3%***					***35.2%***
Selling and marketing expenses	-27,304	-37	-	-117	-	-27,458
General and administrative expenses	-14,704	-	-	-55	-	-14,759
Research and development expenses	-37,853	-	-	-231	15,958	-22,126
Income from capitalization of development expenses	15,958	-	-	-	-15,958	-
Other operating income	2,317	-	-	-	-	2,317
Other operating expenses	-327	-	-	-	-	-327
Operating income	**11,374**	**-179**	**-**	**-438**	**-**	**10,757**
Operating margin	***5.5%***					***5.2%***
Segment assets	**338,989**	**552**	**25,028**	**-**	**-**	**364,569**

Additional information by geographical regions:

(in thousands of EUR)	Q2 2016	Q2 2015	6M 2016	6M 2015
Revenues				
Germany	22,567	19,397	46,744	36,249
Rest of Europe, Middle East and Africa	46,935	51,979	86,848	90,038
Americas	79,524	34,276	130,894	69,836
Asia-Pacific	8,217	6,608	14,719	11,741
	157,243	**112,260**	**279,205**	**207,864**

(in thousands of EUR)	Jun. 30, 2016	Dec. 31, 2015
Non-current assets		
Germany	83,822	82,068
Rest of Europe, Middle East and Africa	17,049	18,626
Americas	39,707	9,473
Asia-Pacific	1,350	1,346
	141,928	**111,513**
Deferred tax assets		
Germany	15,502	14,303
Rest of Europe, Middle East and Africa	1,451	2,173
Americas	14,877	12,389
Asia-Pacific	285	268
	32,115	**29,133**

Revenue information is based on the shipment location of the customers.

In 6M 2016, the share of revenues allocated to major end customers was EUR 94,002 thousand (6M 2015: EUR 38,211 thousand). In 6M 2016, revenues with two major customers exceeded 10% of total revenues (6M 2015: revenues with one major customer).

Non-current assets and deferred tax assets are attributed on the basis of the location of the respective Group Company. Non-current assets for the purpose of segment reporting consist of property, plant and equipment, intangible assets and finance lease equipment.

(22) Other Financial Obligations and Financial Commitments

Lease commitments
The Group has non-cancellable operating leases, primarily for buildings and cars.

The future minimum lease payments due on operating leases are listed in the table below:

(in thousands of EUR)	Jun. 30, 2016	Dec. 31, 2015
Up to one year	6,473	6,125
One to five years	15,056	12,176
More than five years	4,848	795
	26,377	**19,096**

Other obligations
On June 30, 2016, the Group had purchase commitments totaling EUR 12,939 thousand in respect to suppliers (on December 31, 2015: EUR 7,288 thousand).

Guarantees
Group entities have issued guarantees in favor of customers. On June 30, 2016, performance bonds with a maximum guaranteed amount of EUR 3,906 thousand were issued. At the end of Q2 2016, ADVA Optical Networking does not expect claims from these guarantees.

(23) Contingent Liabilities

In the normal course of business, claims may be asserted or lawsuits filed against the Company and its subsidiaries from time to time. On June 30, 2016, ADVA Optical Networking does not expect that potential titles or litigations in detail or in total will have a material impact on its financial position or operating performance.

(24) Stock Option Programs

Changes in the number of options rights outstanding and similar rights are detailed in the table below:

	Stock Option Program 2003 **Plan IX**	Stock Option Program 2003 **Plan IXa**	Stock Option Program 2003 for the Management Board **Plan IXb**	Stock Appreciation Rights **Plan XI**	Stock Appreciation Rights **Plan XIa**	Stock Appreciation Rights **Plan XIII**	Stock Option Program 2011 **Plan XIV**	Stock Option Program 2011 for the Management Board **Plan XIVa**	Stock Appreciation Rights **Plan XV**	Stock Appreciation Rights **Plan XVI**
Options outstanding at Jan. 1, 2015	**599,617**	**480,024**	**220,000**	**57,000**	**39,700**	**93,650**	**1,114,200**	**290,000**	**136,800**	**76,000**
Granted options	-	-	-	-	-	-	788,000	150,000	-	-
Exercised options	-424,277	-444,753	-145,000	-28,000	-24,203	-91,550	-264,023	-	-68,400	-63,500
Forfeited options	-47,200	-2,867	-	-20,000	-12,897	-2,100	-79,500	-	-9,000	-1,000
Expired options	-24,334	-32,404	-	-	-2,600	-	-	-	-	-11,500
Options outstanding at Dec. 31, 2015	**103,806**	-	**75,000**	**9,000**	**-**	**-**	**1,558,677**	**440,000**	**59,400**	**-**
Granted options	-	-	-	-	-	-	237,700	401,667	-	-
Exercised options	-4,400	-	-	-	-	-	-2,500	-	-	-
Forfeited options	-	-	-	-	-	-	-10,000	-	-	-
Options outstanding at June 30, 2016	**99,406**	**-**	**75,000**	**9,000**	**-**	**-**	**1,783,877**	**841,667**	**59,400**	**-**
Of which exercisable	99,406	-	75,000	9,000	-	-	202,677	-	59,400	-

(25) Related Party Transactions

There were no significant changes at June 30, 2016, to related-party disclosures reported in the consolidated financial statements as of December 31, 2015.

All transactions with related parties are conducted on an arm's-length basis.

On June 30, 2016, the EGORA Group held a 15.1% equity stake in ADVA Optical Networking.

In 6M 2016 ADVA Optical Networking acquired components with an amount of EUR 8 thousand from the EGORA Group (6M 2015: nil).

ADVA Optical Networking has entered into several agreements with the EGORA Group under which ADVA Optical Networking is entitled to make use of certain facilities and services of the EGORA Group. In 6M 2016 and 6M 2015, these agreements were not utilized.

On June 30, 2016 trade payables of EUR 10 thousand existed in respect to EGORA Group (December 31, 2015: nil).

ADVA Optical Networking SE owns 9% of the shares of Saguna Networks Ltd., Nesher, Israel. A service agreement with Saguna Networks Ltd. exists regarding the provision of development services for the companies of ADVA Optical Networking Group.

In 6M 2016, Saguna Networks Ltd. has not performed development services for the Group (6M 2015: nil).

On June 30, 2016 and December 31, 2015, no trade receivables or provisions in respect to related parties existed.

See note (26) for information on the Management Board and the Supervisory Board of ADVA Optical Networking.

(26) Governing Boards

Management Board
The members of the Management Board held the following shares and/or had been granted the following stock options:

	Shares		Stock options	
	Jun. 30, 2016	**Dec. 31, 2015**	**Jun. 30, 2016**	**Dec. 31, 2015**
Brian Protiva Chief Executive Officer	401,030	401,030	335,000	185,000
Christoph Glingener Chief Technology Officer & Chief Operating Officer	-	-	325,000	180,000
Ulrich Dopfer Chief Financial Officer	500	500	259,667	153,000

The options to members of the Management Board were granted out of Plan IXb, Plan XIV and Plan XIVa. These option rights authorize the Management Board to purchase the said number of common shares in the Company once the qualifying period has elapsed. Plan IXb and Plan XIVa include a profit limit of EUR 20.00 per option, whereas Plan XIV has no profit limitations. Options related to Plan XIV include grants to Ulrich Dopfer effective before he joined the ADVA Optical Networking Management Board.

The strike price for these option rights is
- EUR 5.04 for 75,000 options granted on October 1, 2010,
- EUR 5.05 for 103,000 options granted on August 15, 2012,
- EUR 3.90 for 130,000 options granted on November 15, 2013,
- EUR 3.19 for 60,000 options granted on May 15, 2014,
- EUR 5.15 for 150,000 options granted on May 15, 2015 and
- EUR 8.70 for 401,667 options granted on May 15, 2016, respectively.

Supervisory Board
Members of the Supervisory Board held the following shares:

	Shares	
	Jun. 30, 2016	**Dec. 31, 2015**
Nikos Theodosopoulos Chairman	-	-
Johanna Hey Vice Chairwoman	-	-
Hans-Joachim Grallert (since February 19, 2016)	340	-

(27) Events after the Balance Sheet Date

There were no events after the balance sheet date that impacted the financial position of the Group on June 30, 2016, or its financial performance for the reporting period then ended. Similarly there were no events considered material for disclosure.

Declaration of Compliance with the German Corporate Governance Code

Pursuant to Section 161 of the German Stock Corporation Law (AktG), the Management Board and the Supervisory Board have issued a declaration of compliance with the German Corporate Governance Code. This declaration is published on the Group's website (www.advaoptical.com).

Meiningen, July 19, 2016

Brian Protiva

Christoph Glingener　　Ulrich Dopfer

Affirmative Declaration of the Legal Representatives

We, the members of the Management Board of ADVA Optical Networking SE, to the best of our knowledge affirm that, in accordance with the applicable reporting principles, the unaudited interim Group management report and the interim consolidated financial statements of the ADVA Optical Networking Group represent a true and fair view of the net assets, financial position and performance of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Meiningen, July 19, 2016

Brian Protiva

Christoph Glingener　　Ulrich Dopfer

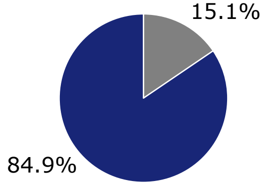
Shareholder Information

Stock Information[5]

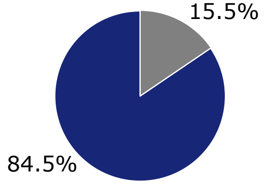
Trade name	ISIN DE0005103006/WKN 510300
Symbol	ADV
Exchange	Prime Standard Segment Frankfurt Stock Exchange
Sector	Technology
Industry	Communications Technology
Number of shares outstanding on June 30, 2016	49,381,384
Price on December 31, 2015	EUR 11.12
Price on June 30, 2016	EUR 7.68
Share price performance YTD (until June 30, 2016)	**-27.8%**
Market capitalization on June 30, 2016	EUR 379.25 million

Shareholder Structure

June 30, 2016



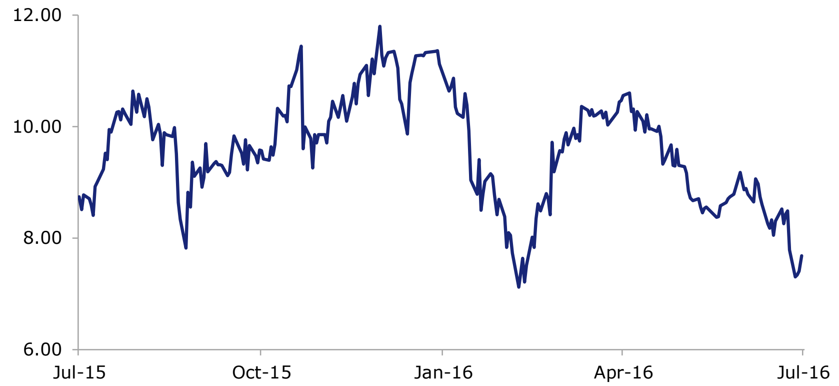
December 31, 2015



Shares outstanding

49,381,384	49,374,484
● Free float	● EGORA Group

Stock Price Development July 1st 2015 to June 30th 2016 in EUR



Financial Calendar

Investor Roadshows	August 2016 London, Edinburgh
dbAccess European TMT Conference	September 8, 2016 London
Berenberg and Goldman Sachs Fifth German Corporate Conference	September 21, 2016 Unterschleißheim/Munich
Publication of Nine-Month Report	October 27, 2016 Martinsried/Munich, Germany

5 Price information is based on Xetra closing prices.

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ADVA Optical Networking on the Web
More information about ADVA Optical Networking, including solutions, technologies and products, can be found on the Company’s website at www.advaoptical.com.

PDF files of this quarterly report, as well as previous quarterly and annual reports, presentations and general investor information, are also located on the Company’s website and can be downloaded in both English and German. Quarterly conference calls are conducted on the day of earnings announcements. Related PDF, audio and transcript files are available for download in the investor relations section of the Company’s website, www.advaoptical.com.

Investor Communication
To receive an investor packet, request other information, ask specific questions, or be placed on the distribution list, please contact:

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