



- Quarterly statement, 3M 2019



Open edge networking

## LETTER TO THE SHAREHOLDERS

Dear shareholders and business associates,

For the first time in our company's history, we report our Q1 numbers in the form of a quarterly statement. In this document, we share with you our key financial metrics in the usual, fully transparent way. Additionally, this letter provides you with further qualitative insights into our business development. We believe that this updated form of quarterly reporting offers real added value.

Also new are the IFRS 16 accounting rules that came into force at the beginning of the year. IFRS 16 regulates the recognition, measurement, disclosure and disclosure requirements of leases in the financial statements of companies that report in accordance with IFRS. We explicitly point out the implications for our business figures at the relevant points.

### A good start to the new fiscal year

The new fiscal year started well. Both revenues and profitability developed according to plan. The numbers were within the guidance range, which we provided on February 21. Compared to the year-ago quarter, we increased revenues by 6.3%.

### Shareholder return

Our share price has also developed positively in Q1. Following the sell-off in the technology sector at the end of 2018, markets have recovered across the board. The price of the ADVA share has clearly outperformed this general trend and gained more than 50% since the beginning of the year. From March 18, 2019, we are also a member of the SDAX index, which had been redefined in September 2018. This positive development shows that not only our clients are loyal to ADVA, but also the confidence of investors in our company and our technologies has returned.

### Portfolio aligned with market

All three of our core technological competencies provide good revenue contributions. Geographically, we grew year over year again in the EMEA and Americas regions. We are winning tenders and new customers in our core markets. We have a clear positioning in all major customer segments and geographies, and our portfolio is very well aligned to current and emerging market trends.

The much-discussed introduction of 5G pushes the fiber deeper into the access area of networks. The investment focus of the carriers is thus moving towards the network edge. Corresponding technological advances such as IoT and edge computing also require a new, innovative and scalable

telecommunications infrastructure, with more efficient optical transmission technology, new virtualized models for service provisioning and more accurate network synchronization.

Our portfolio is precisely tailored to these trends:

- Our FSP 3000 provides open, scalable and programmable optical transmission technology that further reduces the cost of bit transport while enhancing network flexibility and security. In addition to being deployed in carrier infrastructure, the platform is also widely used by large enterprises and internet content providers (ICPs) for interconnecting large scale data centers. The launch of our new TeraFlex™ terminal is proceeding according to plan, and we see good opportunities to gain market share especially in the ICP area.
- Our FSP 150 family of packet edge solutions together with our Ensemble software products provide flexible and fast delivery of NFV-based services at the network edge. Our new product generation with 100G interfaces is gaining momentum and is starting to gain commercial traction. In addition, we introduced an innovative disaggregated cell site gateway (DCSG) as part of the Facebook-initiated Telecom Infra Project TIP. This open approach with our Ensemble Activator software has the potential to greatly simplify the commercial roll-out of 5G networks.
- The consistently positive feedback from network operators around the globe regarding our Oscilloquartz synchronization solutions is impressive. The portfolio is technologically industry leading and now formally part of British Telecom's 5G strategy. Furthermore, the new OSA 5400 generation has also been successfully tested by China Unicom.

### Positive outlook

Despite the turbulence in the global economy we continue to have an optimistic outlook. Digitization is changing the networks and bringing the investment focus to us. We are technologically very well positioned. Our three core competencies are strategically relevant to the transformation of networks. A transformation based on openness, virtualization, security and precision timing. This creates new growth opportunities.

We remain committed to the positive outlook for the current fiscal year and continue to invest all our energy and creativity

in innovative solutions for the benefit of our customers,  
shareholders and employees.

18. April 2019

A handwritten signature in black ink, consisting of a stylized 'B' followed by a series of connected loops and a final horizontal stroke.

Brian Protiva

Chief executive officer

## IFRS FINANCIAL HIGHLIGHTS Q1 2019

### Income statement

(in thousands of EUR, except earnings per share and ratios)	Q1 2019	Q1 2018	Change
Revenues	128,160	120,538	6%
Pro forma operating income*)	2,748	2,239	23%
Pro forma operating margin in %	2.1%	1.9%	0.2pp
Operating income/(loss)	868	-424	305%
Operating margin in %	0.7%	-0.4%	1.1pp
Net income/(loss)	1,036	-2,440	142%
Diluted earnings per share in EUR	0.02	-0.05	

### Cash flow statement

(in thousands of EUR)	Q1 2019	Q1 2018	Change
Cash flow from operating activities	6,332	5,647	12%
Gross capital expenditure for property, plant and equipment and other intangible assets	-3,679	-2,930	26%

### Balance sheet

(in thousands of EUR)	Mar. 31, 2019	Dec. 31, 2018	Change
Liabilities to banks	86,208	89,484	-4%
Lease liabilities (according to IFRS 16 from Jan. 1, 2019)	36,817	n/a	
Financial debt**)	123,025	89,484	37%
Cash and cash equivalents	-49,323	-62,652	-21%
Net debt**)**) )	73,702	26,832	175%
Equity	248,674	244,641	2%
Net working capital*)	132,043	120,475	10%
Capital Employed*)	357,306	282,620	26%

### Financial ratios

	Q1 2019	Q1 2018	Change
Equity ratio in %**)	48.2%	48.8%	-0.6pp
Leverage last-twelve-months*)	1.3	2.4	-46%
ROCE in %*)	1.0%	-0.6%	1.6pp

### Employees

(at period end)	Mar. 31, 2019	Dec. 31, 2018	Change
	1,885	1,886	0%

\*) Key performance indicators and other ratios are defined in the glossary at the end of this document.

\*\*) The first-time adoption of IFRS 16 in the current period has an impact on some key figures. The impact is explained in more detail in the letter to the shareholders and in the information regarding the results of operations, net assets and financial position.

# RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

## Business development and operational performance

### Revenues

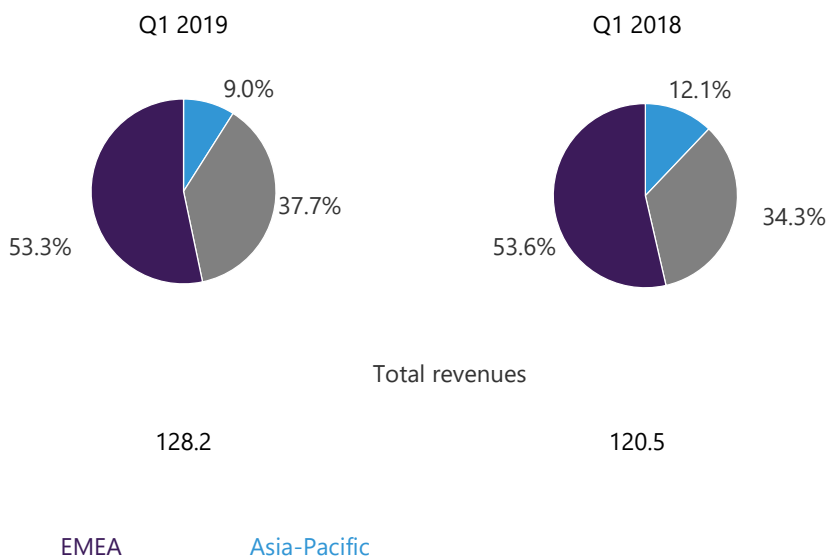
Revenues represent one of the four key performance indicators for ADVA. The group's revenues in Q1 2019 amounted to EUR 128.2 million and were EUR 7.7 million or 6.3% above revenues of EUR 120.5 million in Q1 2018. Compared to revenues of EUR 131.5 million in Q4 2018, revenues in Q1 2019 decreased by 2.5%. The increase in revenue compared to Q1 2018 is supported by all technologies and by solid customer demand, especially from EMEA and America. The decline in revenue compared to the

previous quarter results from a seasonal softness with a few customers, which is not uncommon for the first quarter.

In Q1 2019, EMEA (Europe, the Middle East and Africa) was once again the most important sales region, followed by America and Asia-Pacific. Year-on-year, sales in EMEA increased to EUR 68.3 million in Q1 2019 compared to EUR 64.7 million in Q1 2018. ADVA continues to perform well in this region, and is thriving with a broad, loyal customer base and mature partnering strategy. Revenues in America increased by 16.9% from EUR 41.3 million in Q1 2018 to EUR 48.3 million in Q1 2019. There were no specific outliers and business has developed well on a broad front. In the Asia-Pacific region, sales declined to EUR 11.6 million in Q1 2019 compared to EUR 14.6 million in Q1 2018. The region is still dominated by project-based business, leading to quarterly fluctuations of this magnitude.

### Revenues by region

(in millions of EUR and relative to total revenues)



## Results of operations

Cost of goods sold increased by EUR 6.6 million to EUR 84.0 million in Q1 2019 mainly due to the increase in revenues. In Q1 2019, cost of goods sold included EUR 7.2 million (Q1 2018: EUR 6.9 million) of amortization of capitalized development projects.

Gross profit improved from EUR 43.2 million in Q1 2018 to EUR 44.3 million in Q1 2019, while gross margins declined to 34.5% in Q1 2019 after 35.8% in Q1 2018. The decline in the gross margin in Q1 2019 compared to Q1 2018 results from a change in the customer and product mix.

ADVA's operating income improved significantly by EUR 1.3 million to a positive EUR 0.9 million in Q1 2019, mainly driven by revenue growth and a slight decrease in operating costs from EUR 43.6 million in Q1 2018 to EUR 43.3 million in the current quarter.

Within operating costs, sales and marketing expenses in Q1 2019 of EUR 17.3 million were higher than the prior-year number of EUR 16.0 million in Q1 2018. They amounted to 13.5% or 13.3% of revenues and thus increased in line with revenue growth.

General and administrative expenses of EUR 8.7 million in Q1 2019 decreased from EUR 9.0 million in Q1 2018 and amounted to 6.8% and 7.4% of revenues, respectively.

At EUR 18.6 million in Q1 2019, R&D expenses were down compared to EUR 20.7 million seen in Q1 2018, comprising 14.5% and 17.2% of revenues, respectively. While gross R&D expenses increased to EUR 30.1 million in Q1 2019 compared to EUR 28.7 million reported in Q1 2018 income from capitalization of development expenses increased from EUR 8.0 million in Q1 2018 to EUR 11.5 million in Q1 2019. The capitalization rate in Q1 2019 amounted to 38.2%, up from 27.8% reported in Q1 2018. ADVA's research and development activities are driven by the distinct emphasis on differentiating its innovative connectivity solutions for cloud and mobile services and working with customers and partners to identify and meet their current and future needs. The resulting key technologies and products simplify complicated network structures and supplement existing solutions.

Pro forma operating income represents one of the four key performance indicators for ADVA. As pro forma operating income excludes non-cash charges related to stock compensation and business combinations as well as non-recurring expenses related to restructuring measures, the management board of ADVA 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 Q1 2019, ADVA reported a pro forma operating income of EUR 2.7 million after EUR 2.2 million in Q1 2018, representing 2.1% and 1.9% of revenues, respectively.

Beyond the operating result, net interest expenses of EUR 0.4 million (Q1 2018: EUR 0.2 million), which, due to the first-time adoption of IFRS 16 includes interest effects from lease accounting of EU 0.3 million. Furthermore, net financial gains of EUR 0.8 million (Q1 2018: net financial losses of EUR 1.9 million) relating to the revaluation of foreign currency assets and liabilities and the result on hedging instruments, impacted the net income in Q1 2019.

In Q1 2019, the group reported an income tax expense of EUR 0.2 million after an income tax benefit of EUR 0.1 million in Q1 2018. In both periods income tax effects result from the application of the expected tax rate to the relevant income before tax of the respective entity of the ADVA Group.

### Summary: Business development and operational performance

In Q1 2019, ADVA reported increased revenues while gross margin at the same time declined. However, due to the positive development of the operating result in Q1 2019, which results in particular from the increase of the capitalization rate as well as the consideration of a positive financial result, ADVA shows a net income of EUR 1.0 million in the current period after a net loss of EUR 2.4 million in Q1 2018.

## Net assets and financial position

### Balance sheet structure

ADVA's total assets increased by EUR 29.9 million from EUR 486.5 million at the end of 2018 to EUR 516.4 million at the end of March 2019, particularly due to the effects of the first-time adoption of IFRS 16 Leasing.

At EUR 245.9 million at the end of Q1 2019, current assets were EUR 11.3 million lower than the corresponding figure of EUR 257.2 million at the end of 2018, accounting for 47.6% and 52.9% of the balance sheet total, respectively, at these reporting dates. The decrease in current assets was mainly driven by the strong decrease in cash and cash equivalents by EUR 13.3 million to EUR 49.3 million, in particular due to the payment of variable compensation components in Q1 2019. At EUR 84.6 million, inventories were slightly below the level at the end of the previous year. The inventory turns remained at 4.0 in Q1 2019 unchanged compared to 12M 2018. These effects were partially offset by a slight increase in trade receivables from EUR 97.9 million at December 31, 2018 to EUR 99.4 million at the end of Q1 2019. The average days sales outstanding increased from 68 days in 12M 2018 to 69 days in Q1 2019.

Non-current assets increased to EUR 270.5 million at the end of Q1 2019 from EUR 229.3 million at year-end 2018, mainly due to the capitalization of rights of use assets of EUR 35.4 million resulting from the first-time adoption of IFRS 16 as mentioned above. The right of use assets relate to leased production and administration buildings as well as cars. In addition, capitalized development projects increased by EUR 4.3 million due to the higher capitalization rate and goodwill increased by EUR 1.3 million exclusively due to currency translation effects.

Meaningful additional assets belonging to ADVA are the broad and global customer base of several hundred service providers and thousands of enterprises, the ADVA 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 represents one of the group's four key performance indicators, highlighting the value of sustainable relationships with customers to ADVA. In 2018, ADVA reported a net promoter score of 52.

On the equity and liabilities side, current liabilities decreased by EUR 2.9 million from EUR 145.6 million on December 31, 2018 to EUR 142.7 million on March 31, 2019. This decrease is primarily due to EUR 9.1 million lower other current liabilities in particular due to the payment of variable compensation components for 2018 in Q1 2019. At EUR 52.0 million, trade payables were lower than the EUR 63.2 million reported at the end of December 2018. In Q1 2019, days payables outstanding were at 62 days compared to 55 days in 12M 2018. The decrease in trade payables was mainly due to the termination of material purchases. Due to the first-time application of IFRS 16, current liabilities from lease contracts amounting to EUR 5.6 million were reported for the first time in Q1 2019. At the same time, current provisions increased by EUR 5.6 million for the current period, as employees' variable compensation entitlement for 2019 has been included on a pro rata basis. Current contractual liabilities amounted to EUR 19.8 million as of March 31, 2019, compared to EUR 14.1 million at year-end 2018.

Non-current liabilities increased strongly from EUR 96.3 million at the end of 2018 to EUR 125.0 million at the end of Q1 2019. The increase mainly results from the aforementioned accounting of liabilities from lease contracts due to the first-time adoption of IFRS 16. Non-current leasing liabilities amounted to EUR 31.3 million at the end of Q1 2019. At the same time, non-current liabilities to banks decreased by EUR 3.2 million due to scheduled repayments.

Stockholders' equity increased from EUR 244.6 million reported on December 31, 2018, to EUR 248.7 million on March 31, 2019. The equity ratio was at 48.2% on March 31, 2019, after 50.3% on December 31, 2018, while the non-current assets ratio amounted to 91.9% and 106.7%, respectively with stockholders' equity largely covering the non-current assets. The weakening in the two key figures is in particular due to the recognition of leasing and the capitalization of rights of use assets in connection with the first-time adoption of IFRS 16.

## Capital expenditures

Capital expenditures for additions to property, plant and equipment in Q1 2019 amounted to EUR 3.5 million, above the EUR 2.4 million seen in Q1 2018.

Capital expenditures for intangible assets of EUR 11.6 million in Q1 2019 were also significantly up from EUR 8.5 million in Q1 2018. This total mainly consists of capitalized development projects of EUR 11.5 million in Q1 2019 after EUR 8.0 million in Q1 2018 and capital expenditures for other intangible assets of EUR 0.1 million in Q1 2019 after EUR 0.5 million in Q1 2018.

## Cash flow

Cash flow from operating activities was positive EUR 6.3 million in Q1 2019, after positive EUR 5.7 million in Q1 2018, and mainly relates to non-cash depreciation charges partly offset by working capital changes in both periods.

Cash flow from investing activities amounted to negative EUR 15.1 million in Q1 2019 after negative EUR 10.8 million in Q1 2018. The clearly increased use of funds for investing activities is largely due to higher investment in capitalized development projects and property, plant and equipment.

Finally, net cash outflows of EUR 4.7 million were reported from financing activities in Q1 2019, after cash inflows of EUR 4.9 million from financing activities in Q1 2018. The cash outflow in Q1 2019 was due to scheduled servicing of existing liabilities to banks as well as reduction of lease liabilities. In Q1 2018, the inflows mainly resulted from taking up new debt of EUR 10.0 million as well as offsetting effects from scheduled servicing of existing debts.

Overall, including the net effect of foreign currency translation of positive EUR 0.1 million in Q1 2019, cash and cash equivalents clearly decreased by EUR 13.3 million, from EUR 62.6 million at the end of December 2018 to EUR 49.3 million on March 31, 2019. With the exception of local currency regulations for cash and cash equivalents in China amounting to EUR 6.4 million, there were no significant restrictions at the end of the quarter.

## Financing and liquidity

ADVA's financial management is performed centrally by ADVA SE. Its objective is to provide sufficient funds to ensure ongoing operations and to support the group's projected growth. Beyond the strong equity base appropriate for the business, ADVA finances its business by means of liabilities with maturities typically exceeding the life of the assets being financed. For any liability taken, ADVA is focused on minimizing related interest cost, if access to funds is not at risk. Excess funds are generally used to redeem.

Total financial debt increased significantly by EUR 33.5 million to EUR 123.0 million at the end of Q1 2019. While the current portion of liabilities to banks remained fairly stable at EUR 19.3 million, the non-current portion of liabilities to banks decreased to EUR 66.9 million at the end of March 2019 due to scheduled repayments. In addition, due to the first-time adoption of IFRS 16, current and non-current liabilities from leasing amounting to EUR 36.8 million are included in financial debt in Q1 2019.

On March 31, 2019, the group had available EUR 10.0 million of undrawn committed borrowing facilities (December 31, 2018: EUR 10.0 million).

Net debt represents one of the four key performance indicators for ADVA. Mainly due to the increase in financial debt explained in the previous paragraph ADVA's net debt increased significantly from EUR 26.8 million at year-end 2018 to EUR 73.7 million at the end of March 2019. Cash and cash equivalents on March 31, 2019, and on December 31, 2018, were invested mainly in EUR, USD and GBP.

Return on capital employed in Q1 2019 was at positive 1.0%, significantly up from negative 0.6% reported in Q1 2018. This development is mainly due to the improved operating result in Q1 2019.

## Summary: Net assets and financial position

ADVA's net assets and financial position remained solid in Q1 2019 despite a decline in cash and cash equivalents and an increase in net debt. In particular, net debt was influenced by the initial recognition of lease liabilities in accordance with IFRS 16. At the end of Q1 2019, current liabilities are fully covered by cash and cash equivalents and outstanding trade receivables.



## OUTLOOK

The company's management board is adhering to the outlook of February 19, 2019 presented in the 2018 annual report and expects year-on-year revenue growth for 2019 to be in the upper single-digit percentage range. Under this assumption, the management board also expects that the pro forma operating result will exceed 2018 levels, still in the mid-single-digit percentage range of revenues. For the financial year 2019, the management board expects a further, significant improvement in the net debt position, before taking into account additional financial debt from the initial application of IFRS 16.

The group will continue to selectively invest in product development, technology and revenue-generating opportunities. In addition, the management board expects, due to the continued focus on innovation, quality and service, that customer satisfaction measured by 2019's Net Promoter Score will once again be at high positive levels of at least 40%. Actual results may differ materially from expectations if risks materialize or the underlying assumptions prove unrealistic. The major risks facing ADVA are discussed in the "Risk Report" section of the 2018 Annual Report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS OF MARCH 31, 2019 (UNAUDITED)

(in thousands of EUR)	<b>Mar. 31,</b>	<b>Dec. 31,</b>
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	49,323	62,652
Trade accounts receivable	99,432	97,936
Contract assets	285	320
Inventories	84,577	85,734
Tax assets	1,818	1,675
Other current assets	10,443	8,899
<b>Total current assets</b>	<b>245,878</b>	<b>257,216</b>
<b>Non-current assets</b>		
Right-of-use assets	35,429	n/a
Property, plant and equipment	29,627	29,052
Goodwill	71,667	70,400
Capitalized development projects	92,188	87,926
Intangible assets acquired in business combinations	25,012	26,012
Other intangible assets	5,054	5,512
Deferred tax asset	7,961	7,315
Other non-current assets	3,578	3,105
<b>Total non-current assets</b>	<b>270,516</b>	<b>229,322</b>
<b>Total assets</b>	<b>516,394</b>	<b>486,538</b>

(in thousands of EUR)	<b>Mar. 31, 2019</b>	<b>Dec. 31, 2018</b>
<b>Equity and liabilities</b>		
<b>Current liabilities</b>		
Lease liabilities	5,566	n/a
Liabilities to banks	19,342	19,400
Trade accounts payable	51,966	63,195
Other provisions	20,600	15,005
Tax liabilities	5,141	5,067
Contract liabilities	19,780	14,061
Refund liabilities	1,068	511
Other current liabilities	19,281	28,337
<b>Total current liabilities</b>	<b>142,744</b>	<b>145,576</b>
<b>Non-current liabilities</b>		
Lease liabilities	31,251	n/a
Liabilities to banks	66,866	70,084
Provisions for pensions and similar employee benefits	5,886	5,531
Other provisions	1,530	1,453
Deferred tax liabilities	11,589	10,828
Contract liabilities	6,635	6,469
Other non-current liabilities	1,219	1,956
<b>Total non-current liabilities</b>	<b>124,976</b>	<b>96,321</b>
<b>Total liabilities</b>	<b>267,720</b>	<b>241,897</b>
<b>Stockholders' equity entitled to the owners of the parent company</b>		
Share capital		
(Conditional capital EUR 4,778 thousand; prior year EUR 4,778 thousand)	49,931	49,931
Capital reserve	316,537	316,072
Accumulated deficit	-121,693	-131,371
Net income	1,036	9,678
Accumulated other comprehensive income	2,863	331
<b>Total stockholders' equity</b>	<b>248,674</b>	<b>244,641</b>
<b>Total equity and liabilities</b>	<b>516,394</b>	<b>486,538</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2019 (UNAUDITED)

(in thousands of EUR, except earnings per share and number of shares)	Q1 2019	Q1 2018
<b>Revenues</b>	<b>128,160</b>	<b>120,538</b>
Cost of goods sold	-83,950	-77,362
<b>Gross profit</b>	<b>44,210</b>	<b>43,176</b>
Selling and marketing expenses*	-17,273	-15,971
General and administrative expenses	-8,715	-8,969
Research and development expenses	-18,590	-20,746
Other operating income	1,338	2,139
Other operating expenses	-102	-53
<b>Operating income/(loss)</b>	<b>868</b>	<b>-424</b>
Interest income	248	81
Interest expenses	-663	-309
Currency translation gains and losses, net	784	-1,894
Other financial gains and losses, net	-	-
<b>Income/(loss) before tax</b>	<b>1,237</b>	<b>-2,546</b>
Income tax (expense) benefit, net	-201	106
<b>Net income/(loss) entitled to the owners of the parent company</b>	<b>1,036</b>	<b>-2,440</b>
Earnings per share in EUR		
basic	0.02	-0.05
diluted	0.02	-0.05
Weighted average number of shares for calculation of earnings per share		
basic	49,930,955	49,735,549
diluted	50,597,492	49,735,549

\* Selling and marketing expenses include EUR 73 thousand income from changes of risk provision for trade accounts receivable according to IFRS 9.

## CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(in thousands of EUR)	Q1 2019	Q1 2018
<b>Cash flow from operating activities</b>		
Income/(loss) before tax	1,237	-2,546
Adjustments to reconcile income/(loss) before tax to net cash provided by operating activities		
Non-cash adjustments		
Amortization of non-current assets	14,081	11,478
Loss from disposal of property, plant and equipment and intangible assets	37	12
Stock compensation expenses	465	348
Other non-cash expenses	79	245
Foreign currency exchange differences	107	1,364
Changes in assets and liabilities		
Decrease (increase) in trade accounts receivable	-1,461	-5,752
Decrease (increase) in inventories	1,157	8,646
Decrease (increase) in other assets	-2,066	-37
Increase (decrease) in trade accounts payable	-11,229	-1,744
Increase (decrease) in provisions	5,884	808
Increase (decrease) in other liabilities	-1,951	-6,836
Income tax paid	-8	-339
<b>Net cash provided by operating activities</b>	<b>6,332</b>	<b>5,647</b>
<b>Cash flow from investing activities</b>		
Investments in property, plant and equipment	-3,517	-2,437
Investments in intangible assets	-11,635	-8,466
Interest received	49	65
<b>Net cash used for investing activities</b>	<b>-15,103</b>	<b>-10,838</b>
<b>Cash flow from financing activities</b>		
Decrease of lease liabilities	-857	n/a
Payments received from liabilities to banks	-	21,250
Cash repayment of liabilities to banks	-3,125	-15,938
Interest paid	-684	-434
<b>Net cash used in/ (provided by) financing activities</b>	<b>-4,666</b>	<b>4,878</b>
Net effect of foreign currency translation on cash and cash equivalents	108	-368
<b>Net change in cash and cash equivalents</b>	<b>-13,329</b>	<b>-681</b>
Cash and cash equivalents at the beginning of the period	62,652	58,376
<b>Cash and cash equivalents at the end of the period</b>	<b>49,323</b>	<b>57,695</b>

## FINANCIAL CALENDAR

Annual Shareholders' Meeting	May 22, 2019 Meiningen, Germany
Cowen TMT Conference	May 29 to 30, 2019 New York, USA
Quirin Champions 2019	June 12, 2019 Frankfurt, Germany
Publication of Six-Month-Report	July 25, 2019 Martinsried/Munich, Germany

## FORWARD-LOOKING STATEMENTS

This document 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'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 2018.

## GLOSSARY

**Pro forma operating income** is calculated prior to non-cash charges related to the stock compensation programs and amortization and impairment of goodwill and acquisition-related intangible assets. Additionally, non-recurring expenses related to restructuring measures are not included.

**Net debt** is calculated by subtracting cash and cash equivalents from total **financial debt** comprising of current and non-current financial liabilities and current and non-current lease liabilities.

**Working capital** is defined as trade accounts receivable plus inventories minus trade accounts payable.

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.

The **leverage** shows the liabilities to banks in relation to the EBITDA of the last 12 months. EBITDA is calculated as if the accounting approach had been unchanged, i.e. without taking IFRS 16 into account. The leverage is thus determined explicitly without taking into account the accounting effects in accordance with IFRS 16.

The **return on capital employed** (ROCE) is the operating result for the current period divided by the capital employed. The **capital employed** is the difference between the average balance sheet total and the average current liabilities of the period, calculated as the arithmetic average of the quarterly balance sheet date values (Dec. 31 of the previous year and Mar. 31 of the respective year).

## IMPRESSUM

### Corporate headquarters

ADVA Optical Networking SE  
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Germany

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### Registered head office

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### ADVA on the web

More information about ADVA, including solutions, technologies and products, can be found on the company's website at [www.advaoptical.com](http://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](http://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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