Six-month report 2023

Unlocking the future network

CONTENTS

IFRS financial highlights 6M 2023

Income statement

(in thousands of EUR, except earnings per share and ratios)	Q2 2023	Q2 2022	Change	6M 2023	6M 2022	Change
Revenues	170,188	166,320	2 %	349,546	336,818	4 %
Pro forma EBIT *)	12,092	6,435	88 %	21,822	14,247	53 %
Pro forma EBIT margin in %	7.1	3.9	3,2 pp	6.2	4.2	2 pp
Operating income (loss)	8,033	4,655	73 %	14,260	10,631	34 %
Operating margin in %	4.7	2.8	1,9 pp	4.1	3.2	0,9 pp
Net income (loss)	3,288	7,291	(55)%	6,915	13,470	(49)%
Diluted earnings per share in EUR	0.06	0.14	(57)%	0.13	0.26	(50)%

Cash flow statement

(in thousands of EUR)	Q2 2023	Q2 2022	Change	6M 2023	6M 2022	Change
Cash flow from operating activities	9,543	6,532	46 %	21,319	(6,191)	(444)%
Cash flow from investing activities	(16,027)	(12,609)	27 %	(31,697)	(34,648)	(9)%

Balance sheet and financial ratios

(in thousands of EUR, except ratios)	Jun. 30, 2023	Dec. 31, 2022	Change
Financial liabilities to Adtran Holdings, Inc.	53,006	—	n/a
Liabilities to banks	10,000	56,430	(82)%
Lease liabilities	19,046	21,202	(10)%
Financial debt	**82,052**	**77,632**	**6 %**
Cash and cash equivalents	48,595	58,447	(17)%
Net cash (debt) *)	**(33,457)**	**(19,185)**	**— %**
Net working capital *)	217,732	205,227	6 %
Working capital ratio in % *)	30.9	29.1	1,8pp
Equity	374,772	369,080	2 %
Equity ratio in %	59.8	57.0	2,8pp
Capital employed *)	416,581	414,037	1 %
ROCE in % *)	5.2	4.4	0,8pp

Employees

(at period end)	Jun. 30, 2023	Dec. 31, 2022	Change
	2,089	2,014	4 %

***) The four key performance indicators as well as other ratios are defined in the glossary at the end of this document.**

Following the resolution of the annual shareholder's meeting on May 24, 2023, ADVA Optical Networking SE was renamed to Adtran Networks SE (hereinafter also referred to as the "company" or "Adtran Networks SE") with effect from June 8, 2023. The Adtran Networks group is also be referred to as "Adtran Networks" or "the group".

Results of operations, net assets and financial position

Business development and operational performance

Revenue development and revenues by region

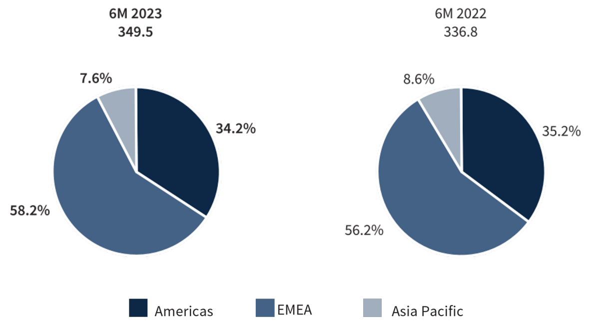
Revenues represent one of the four key performance indicators for Adtran Networks. The group's revenues in 6M 2023 amounted to EUR 349.5 million and were EUR 12.7 million or 3.8 % above revenues of EUR 336.8 million in 6M 2022. Compared to revenues of EUR 179.4 million in Q1 2023, revenues in Q2 2023 decreased by 5.1 % to EUR 170.2 million. The increase in revenues compared to 6M 2022 is driven largely by WDM business and fulfillment of orders on backlog. The decrease compared to the previous quarter is attributable to supply constraints and reduced ordering.

In 6M 2023, EMEA (Europe, the Middle East and Africa) was once again the largest contributing sales region, followed by Americas and Asia-Pacific.

Year-on-year, sales in EMEA increased to EUR 203.3 million in 6M 2023 compared to EUR 189.3 million in 6M 2022 and represented 58.2% of total revenues in 6M 2023 after 56.2 % in the prior-year period.

Revenues in Americas slightly increased by 0.9% from EUR 118.5 million in 6M 2022 to EUR 119.6 million in 6M 2023. The increase compared to the prior-year period is particularly due to strong Oscilloquartz and Ethernet sales.

In Asia-Pacific, revenue decreased by 8.0% from EUR 29.0 million in 6M 2022 to EUR 26.6 million in 6M 2023 Demand was primarily driven by network operators and enterprise customers.



Results of operations

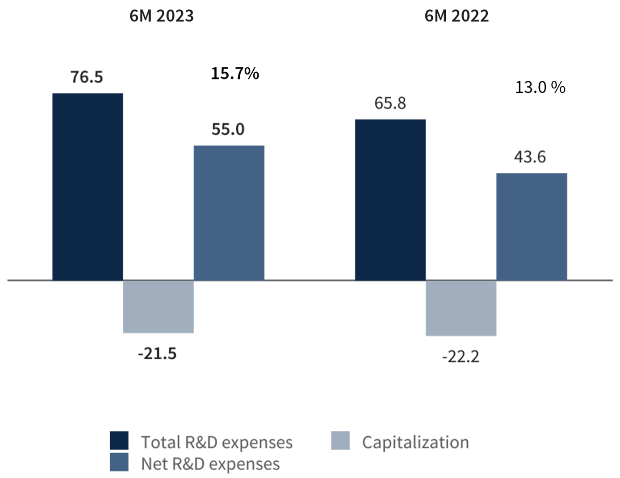
(in millions of EUR, except earnings per share)	6M 2023	Portion of revenues	6M 2022	Portion of revenues
Revenues	**349.5**	**100.0 %**	**336.8**	**100.0 %**
Cost of goods sold	(231.9)	66.3 %	(230.0)	68.3 %
Gross profit	**117.6**	**33.6 %**	**106.8**	**31.7 %**
Selling and marketing expenses	(35.4)	10.1 %	(36.3)	10.8 %
General and administrative expenses	(18.8)	5.4 %	(19.9)	5.9 %
Research and development expenses	(55.0)	15.7 %	(43.6)	13.0 %
Other operating income and expense, net	5.8	1.7 %	3.6	1.1 %
Operating income (loss)	**14.3**	**4.1 %**	**10.6**	**3.2 %**
Interest income and expenses, net	(1.7)	0.5 %	(0.8)	0.2 %
Financial gains and losses, net	(2.8)	0.8 %	4.3	1.3 %
Income (loss) before tax	**9.8**	**2.8 %**	**14.1**	**4.2 %**
Income tax benefit (expense), net	(2.9)	0.8 %	(0.7)	0.2 %
Net income (loss)	**6.9**	**2.0 %**	**13.5**	**4.0 %**
Earnings per share in EUR				
basic	0.13		0.26	
diluted	0.13		0.26	

Cost of goods sold increased by EUR 1.9 million to EUR 231.9 million in 6M 2023. In 6M 2023, cost of goods sold included EUR 19.3 million (6M 2022: EUR 21.7 million) of amortization of capitalized development projects.

Gross profit increased from EUR 106.8 million in 6M 2022 to EUR 117.6 million in 6M 2023, with gross margin at 33.6 % in 6M 2023 also above the 31.7 % reported in 6M 2022. The increase in the gross margin in 6M 2023 compared to 6M 2022 in particular results from cost of goods sold increasing at a lower rate when compared to revenue increase. The slower increase in cost of goods sold was mainly driven by lower material and freight expenses.

Within operating costs, sales and marketing expenses in 6M 2023 of EUR 35.4 million were below the prior-year number of EUR 36.3 million in 6M 2022. They amounted to 10.1 % of revenues in 6M 2023 after 10.8 % in 6M 2022.

General and administrative expenses of EUR 18.8 million in 6M 2023 also decreased compared to EUR 19.9 million in 6M 2022 and amounted to 5.4 % and 5.9 % of revenues, respectively.



At EUR 55.0 million in 6M 2023, R&D expenses were above the EUR 43.6 million seen in 6M 2022, comprising 15.7 % and 13.0 % of revenues, respectively. Gross R&D expenses increased to EUR 76.5 million in 6M 2023 compared to EUR 65.9 million reported in 6M 2022, while income from capitalization of development expenses decreased from EUR 22.2 million in 6M 2022 to EUR 21.5 million in 6M 2023. The capitalization rate in 6M 2023 amounted to 28.1 %, down from 33.7 % reported in 6M 2022.

Adtran Networks operating income increased from EUR 10.6 million in 6M 2022 to EUR 14.3 million in 6M 2023. In the current cost of goods sold and operating expenses increased slower in proportion of revenue period positively impacting operating income.

Pro forma EBIT represents one of the four key performance indicators for Adtran Networks. As pro forma EBIT excludes non-cash charges related to stock compensation and business combinations as well as non-recurring expenses related to M&A transactions and restructuring measures. The management board of Adtran Networks believes that pro forma EBIT is a more appropriate measure than operating income when benchmarking the group’s operational performance against other telecommunications equipment providers. In 6M 2023, Adtran Networks reported a pro forma EBIT of EUR 21.8 million after a pro forma EBIT of EUR 14.2 million in 6M 2022, representing positive 6.2 % after positive 4.2 % of revenues, respectively.

The reconciliation of operating income (loss) to pro forma EBIT is as follows:

(in millions of EUR)	6M 2023	6M 2022
Operating income (loss)	**14.3**	**10.6**
Expenses related to share-based compensation	2.4	0.8
Amortization of intangible assets from business combinations	1.8	1.8
Expenses related to restructuring measures	3.0	—
Expenses related to M&A transactions	0.4	0.9
Pro forma EBIT	**21.8**	**14.2**

Beyond the operating result net income in 6M 2023 is impacted by net interest expenses of EUR 1.7 million (6M 2022: EUR 0.8 million), which includes interest effects from lease accounting of EUR 0.3 million (6M 2022: EUR 0.4 million). Furthermore, net financial losses of EUR 2.8 million (6M 2022: net financial gains of EUR 4.3 million) relating to the revaluation of foreign currency assets and liabilities and the result on hedging instruments, impacted the net income in 6M 2023.

In 6M 2023, the group reported an income tax expense of EUR 2.9 million after an income tax expense of EUR 0.7 million in 6M 2022. 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 Adtran Networks group.

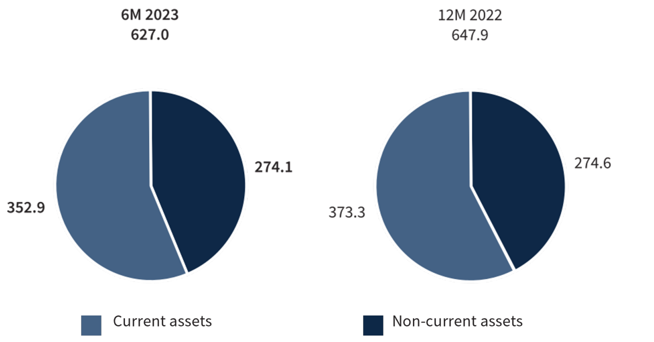
Summary: Business development and operational performance

In 6M 2023, Adtran Networks SE recorded an increase in revenues and gross margin compared to the previous year. The higher operating result was offset by net financial losses and higher tax expenses. Thus, Adtran Networks reports a substantial decline of net profit from EUR 13.5 million in 6M 2022 to EUR 6.9 million in the current period.

Net assets and financial position

Balance sheet structure

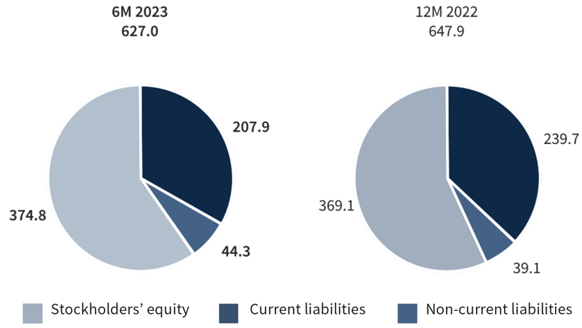
Adtran Networks total assets decreased by EUR 20.9 million from EUR 647.9 million at the end of 2022 to EUR 627.0 million at the end of June 2023.



Current assets amounted to EUR 352.9 million at the end of 6M 2023, EUR 20.4 million lower than the corresponding balance of EUR 373.3 million at the end of 2022 and accounted for 56.3 % and 57.6 % of total assets at these reporting dates, respectively. The decrease in current assets was mainly due to decreased cash and cash equivalents of EUR 48.6 million after EUR 58.4 million reported at the end of 2022. This results in particular from the cash outflows for investing and financing activities that were only partially compensated by a positive cash flow from operating activities as further explained in the cash flow section. Trade receivables decreased from EUR 123.7 million on December 31, 2022 to EUR 115.7 million at the end of 6M 2023 due to declined revenues in Q2 2023 when comparing to previous quarters. DSOs were at 41 days in 6M 2023 and 55 days in 12M 2022. At the same time, inventories also decreased from EUR 170.3 million on December 31, 2022 to EUR 163.6 million at the end of 6M 2023. In 6M 2023 inventory turns declined to 2,8 x compared to the value of 3,1 x in 12M 2022.

Non-current assets slightly decreased to EUR 274.1 million at the end of 6M 2023 from EUR 274.6 million at year-end 2022.

Meaningful additional assets belonging to Adtran Networks are the broad and global customer base of several hundred service providers and thousands of enterprises, the ADVA, Oscilloquartz and Ensemble brands, the vendor and partner relationships and a highly motivated and skilled global team. These assets are not recognized in the balance sheet. Customer satisfaction as measured by the net promoter score represents one of the group's four key performance indicators. Further information on the development of the Net Promoter Score is presented in the Annual Report 2022.



On the equity and liabilities side, current liabilities decreased by EUR 31.8 million from EUR 239.7 million on December 31, 2022 to EUR 207.9 million on June 30, 2023. This decrease is attributable to significantly lower trade payables. These amounted to EUR 61.5 million at the end of 6M 2023, EUR 27.2 million below the EUR 88.7 million reported at the end of December 2022. In 6M 2023, DPOs amounted to 59 days compared to 65 days in 12M 2022. At the same time, other current liabilities decreased significantly by EUR 16.0 million to EUR 28.7 million as of June 30, 2023, in particular due to the payment of variable employee compensation components for 2022 in 6M 2023. Current contract liabilities amounted to EUR 28.6 million as of June 30, 2023, compared to EUR 21.2 million reported at year-end 2022.

Non-current liabilities of EUR 44.3 million at the end of 6M 2023 increased from the EUR 39.1 million reported at the end of 2022.

Stockholders' equity increased from EUR 369.1 million reported on December 31, 2022, to EUR 374.8 million on June 30, 2023. The equity ratio was at 59.8 % on June 30, 2023, after 57.0 % on December 31, 2022, while the non-current assets ratio amounted to 136.7 % and 134.4 %, respectively, with stockholders' equity fully covering the non-current assets.

Capital expenditures

Capital expenditures for additions to property, plant and equipment in 6M 2023 amounted to EUR 9.0 million, up from the EUR 6.8 million seen in 6M 2022.

Capital expenditures for intangible assets of EUR 22.8 million in 6M 2023 were down from EUR 27.8 million in 6M 2022. This total consists of capitalized development projects of EUR 21.5 million in 6M 2023 after EUR 22.2 million in 6M 2022 and capital expenditures for other intangible assets of EUR 1.3 million in 6M 2023 after EUR 5.7 million in 6M 2022. The investments in other intangible assets in the prior year period included in particular the capitalization of a joint development.

Cash flow

(in millions of EUR)	6M 2023	Portion of cash	6M 2022	Portion of cash
Operating cash flow	21.3	43.8 %	(6.2)	(9.8)%
Investing cash flow	(31.7)	(65.2)%	(34.6)	(54.8)%
Financing cash flow	1.7	3.5 %	(6.9)	(11.0)%
Net effect of foreign currency translation on cash and cash equivalents	(1.1)	(2.4)%	2.0	3.1 %
Net change in cash and cash equivalents	**(9.8)**	**(20.3)%**	**(45.8)**	**(72.5)%**
Cash and cash equivalents at the beginning of the period	58.4	120.3 %	109.0	172.5 %
Cash and cash equivalents at the end of the period	**48.6**	**100.0 %**	**63.2**	**100.0 %**

Cash flow from operating activities was positive EUR 21.3 million in 6M 2023, after negative EUR 6.2 million in 6M 2022. The significant improvement in 6M 2023 is due to in particular lower cash outflows for net working capital compared with the corresponding prior-year period.

Cash flow from investing activities amounted to negative EUR 31.7 million in 6M 2023 after negative EUR 34.6 million in 6M 2022. The decreased use of funds for investing activities is largely due to lower investments in intangible assets as described in the capital expenditure section above.

Finally, net cash inflows of EUR 1.7 million were reported from financing activities in 6M 2023, after cash outflows of EUR 6.9 million from financing activities in 6M 2022. In 6M 2023, the cash inflow results in particular from the raising of a new loan at Adtran Holdings, Inc. and inflows from the partial utilization of a new credit line while in 6M 2022, the cash outflows result from scheduled redemption and interest payments for existing bank loans and repayments of lease liabilities. On the other hand, there was a higher inflow from capital increases in connection with the exercise of stock options in 6M 2022 due to the positive share price development in this period.

Overall, including the net effect of foreign currency translation of negative EUR 1.1 million, cash and cash equivalents decreased by EUR 9.8 million, from EUR 58.4 million at the end of December 2022 to EUR 48.6 million on June 30, 2023. In 6M 2022, cash and cash equivalents had decreased by EUR 45.8 million.

With the exception of local currency regulations for cash and cash equivalents in China amounting to EUR 2.9 million, there were no significant restrictions at the end of the quarter.

Financing and liquidity

Adtran Networks financial management is performed centrally by Adtran Networks 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, Adtran Networks finances its business by means of liabilities with maturities typically exceeding the useful life of the assets being financed. For any liability taken, Adtran Networks is focused on minimizing related interest cost, as long as access to funds is not at risk. Excess funds are generally used to redeem liabilities.

Total financial debt increased by EUR 4.4 million to EUR 82.1 million at the end of 6M 2023. Liabilities to banks decreased significantly from EUR 56.4 million to EUR 10.0 million. As from Q1 2023, Adtran Networks group has been financed by a loan from Adtran Holdings, Inc.. At the end of June 2023, Adtran Networks reported a financial liability to Adtran Holdings, Inc. in the amount of EUR 53.0 million. The current portion of liabilities from leasing decreased by EUR 0.3 million to EUR 5.3 million while the non-current liabilities from leasing decreased by EUR 1.8 million to EUR 13.7 million.

On June 30, 2023, the group had utilized a committed borrowing facilities of EUR 15.0 million in the amount of EUR 10.0 million (on December 31, 2022: committed borrowing facilities amounting to EUR 33.5 million were fully utilized).

Net cash represents one of the four key performance indicators for Adtran Networks. Mainly due to the previously described decrease in cash and cash equivalents and increased financial liabilities, net debt increased significantly from EUR 19.2 million at the end of 2022 to EUR 33.5 million in 6M 2023. Cash and cash equivalents on June 30, 2023, and on December 31, 2022, were invested mainly in EUR, USD and GBP.

At the end of June 2023 return on capital employed for the rolling twelve months period was at 5.2 %, up from the 4.4 % reported in 12M 2022. This development is mainly due to the positive development of the operating result in 6M 2023.

Summary: Net assets and financial position

Despite the decrease in net cash and increased net debt position at the end of 6M 2023, Adtran Networks net assets and financial position remain strong. The equity ratio further improved to 59.8 % on June 30, 2023 compared to 57.0 % at the end of 2022.

Events after the balance sheet date

There were no events after the balance sheet date that materially impacted the net assets and financial position of the group and Adtran Networks SE on June 30, 2023, or the group’s and the company’s financial performance for 6M 2023. Also, there were no events considered material for disclosure.

Risk and opportunity report

Adtran Networks future development is subject to various general and group-specific risks, which in certain cases can also endanger the group’s continued existence.

The risks and uncertainties as reported in the "risk and opportunity report" section of the Group Management Report 2022 remain unchanged.

Outlook

Despite the continuing difficult external environment, Adtran Networks reported solid results for Q2 2023 which were within the expectations for Q2 2023. Revenue for Q2 2023 increased by 2.3 % to EUR 170.2 million compared to EUR 166.3 million in Q2 2022. 6M 2023 revenues were EUR 349.5 million up by 3.8 % compared to EUR 336.8 million in the 6M 2022 period, putting them at a record level. Lower procurement cost and a more favorable currency mix contributed positively on margins. Therefore pro forma EBIT margin in Q2 2023 increased to 7.1 % compared to 3.9 % in Q2 2022. Cash decreased from EUR 67.2 million in Q1 2023 to EUR 48.6 million in Q2 2023. The decrease is mainly due to loan repayments to Adtran Holdings, Inc..

The management board expects a full recovery of the supply chains in the course of 2023. For the full year 2023, there are still some limited supply risks and cost levels remain high. In addition, since lead times for components have substantially reduced, many customers are currently focusing on optimizing their inventory which impacts order bookings. Furthermore, customer spending is impacted by high inflation and rising interest rates particularly in North America. The management believes that this trend will continue in Q3 and may start recovering at the earliest in Q4. Nevertheless, the longer term macro environment remains positive for Adtran Networks and the merger with Adtran Holdings, Inc. offers numerous opportunities.

With the investments of the past years, Adtran Networks has comprehensively prepared itself technologically for the transformation of networks with the aspects of cloud, mobility, 5G, automation and security. In addition to the high-quality performance features of optical data transmission, precise network synchronization technology and programmable cloud access solutions, the service portfolio also delivers increasing added value.

Against the backdrop of the aforementioned factors and considering the planning parameters, personnel and exchange rates, the management decided to adjust the outlook and now expects for the business year 2023 revenue to decline in the high single digit to low teens percentage range compared to the business year 2022 (2022: EUR 712.1 million) and the pro forma EBIT margin to be in the low single digit percentage range.

Six-month IFRS consolidated financial statements

Consolidated statements of financial position as of June 30, 2023 (unaudited)

(in thousands of EUR)	Note	Jun. 30, 2023	Dec. 31, 2022
Assets			
Current assets			
Cash and cash equivalents	(5)	48,595	58,447
Trade accounts receivable	(6)	115,667	123,651
Thereof receivables from Adtran Holdings, Inc. and its subsidiaries		—	*198*
Contract assets	(8)	293	248
Inventories	(7)	163,561	170,289
Tax assets		3,998	2,673
Other current assets	(9)	20,768	18,020
Total current assets		**352,882**	**373,328**
Non-current assets			
Right-of-use assets	(10)	16,194	18,634
Property, plant and equipment	(11)	37,472	35,911
Goodwill		70,022	71,307
Capitalized development projects	(12)	100,422	97,975
Intangible assets acquired in business combinations	(12)	6,561	8,519
Other purchased and internally generated intangible assets	(12)	20,355	19,604
Deferred tax asset		17,462	16,535
Other non-current assets	(9)	5,610	6,099
Total non-current assets		**274,099**	**274,584**
Total assets		**626,981**	**647,912**

(in thousands of EUR)	Note	Jun. 30, 2023	Dec. 31, 2022
Equity and liabilities			
Current liabilities			
Current lease liabilities	(13)	5,312	5,648
Current financial liabilities to Adtran Holdings, Inc.	(14)	53,006	—
Current liabilities to banks	(14)	10,000	56,430
Trade accounts payable	(15)	61,496	88,713
Thereof payables to Adtran Holdings, Inc. and its subsidiaries		*1,341*	*1,985*
Current provisions	(16)	16,035	17,331
Tax liabilities		4,228	5,248
Current contract liabilities and advance payments	(17)	28,552	21,188
Refund liabilities	(17)	567	506
Other current liabilities	(15)	28,686	44,647
Total current liabilities		**207,882**	**239,711**
Non-current liabilities			
Non-current lease liabilities	(13)	13,734	15,554
Provisions for pensions and similar employee benefits	(16)	5,953	5,550
Other non-current provisions	(16)	1,834	1,769
Deferred tax liabilities		6,734	2,869
Non-current contract liabilities	(17)	11,924	8,622
Other non-current liabilities	(15)	4,148	4,757
Total non-current liabilities		**44,327**	**39,121**
Total liabilities		**252,209**	**278,832**
Stockholders' equity entitled to the owners of the parent company	(18)		
Share capital		52,017	52,005
Capital reserve		333,898	333,531
Accumulated deficit		(16,984)	(35,114)
Net income		6,915	18,132
Accumulated other comprehensive income		(1,075)	528
Total stockholders' equity		**374,772**	**369,080**
Total equity and liabilities		**626,981**	**647,912**

Consolidated income statements
for the period from January 1 to June 30, 2023 (unaudited)

(in thousands of EUR, except earnings per share and number of shares)	Note	Q2 2023	Q2 2022	6M 2023	6M 2022
Revenues	**(19)**	**170,188**	**166,320**	**349,546**	**336,818**
Cost of goods sold		(110,484)	(112,408)	(231,978)	(229,972)
Gross profit		**59,704**	**53,912**	**117,568**	**106,846**
Selling and marketing expenses	(20)	(16,951)	(18,090)	(35,357)	(36,277)
Thereof net impairment results on financial assets		*(65)*	*21*	*(19)*	*47*
General and administrative expenses	(20)	(10,519)	(10,035)	(18,779)	(19,931)
Research and development expenses	(20)	(28,164)	(23,391)	(54,997)	(43,622)
Other operating income	(21)	4,002	2,405	5,906	4,061
Other operating expenses	(21)	(40)	(146)	(81)	(446)
Operating income		**8,033**	**4,655**	**14,260**	**10,631**
Interest income	(22)	84	4	148	26
Interest expenses	(22)	(916)	(438)	(1,777)	(777)
Foreign currency exchange gains	(23)	3,502	8,480	9,463	12,029
Foreign currency exchange losses	(23)	(4,544)	(5,354)	(12,257)	(7,771)
Other financial gains	(23)	—	—	—	—
Other financial losses	(23)	—	—	—	—
Income before tax		**6,157**	**7,347**	**9,836**	**14,138**
Income tax benefit (expense), net	(24)	(2,870)	(56)	(2,921)	(668)
Net income entitled to the owners of the parent company		**3,288**	**7,291**	**6,915**	**13,470**
Earnings per share in EUR					
basic		0.06	0.14	0.13	0.26
diluted		0.06	0.14	0.13	0.26
Weighted average number of shares for calculation of earnings per share			—		
basic		52,008,132	51,612,820	52,006,326	51,529,817
diluted		52,050,055	52,728,537	52,048,249	52,645,534

Consolidated statements of comprehensive income (unaudited)

(in thousands of EUR)	Note	Q2 2023	Q2 2022	6M 2023	6M 2022
Net income entitled to the owners of the parent company		**3,288**	**7,291**	**6,915**	**13,470**
Items that may be reclassified to profit or loss in future periods					
Exchange differences on translation of foreign operations		514	3,984	(1,603)	5,395
Items that will not get reclassified to profit or loss in future periods					
Remeasurement of defined benefit plans		—	—	—	—
Comprehensive income entitled to the owners of the parent company		**3,802**	**11,275**	**5,312**	**18,865**

Consolidated cash flow statements (unaudited)

(in thousands of EUR)	Note	Q2 2023	Q2 2022	6M 2023	6M 2022
Cash flow from operating activities					
Income before tax		6,158	7,347	9,836	14,138
Adjustments to reconcile income before tax to net cash provided by operating activities					
Non-cash adjustments					
Amortization of non-current assets		15,985	17,408	31,877	35,338
Loss from disposal of property, plant and equipment and intangible assets		190	12	196	71
Stock compensation expenses		1,433	441	2,407	839
Other non-cash income and expenses		275	351	623	675
Foreign currency exchange differences		(160)	(2,680)	223	(2,913)
Changes in asset and liabilities					
Decrease (increase) in trade accounts receivable		10,782	(12,602)	7,741	(28,904)
Decrease (increase) in inventories		3,630	(28,665)	6,728	(29,652)
Decrease (increase) in other assets		1,477	(1,841)	(2,207)	(2,302)
Increase (decrease) in trade accounts payable		(19,658)	22,636	(26,573)	4,476
Increase (decrease) in provisions		(1,960)	6,011	(1,264)	13,244
Increase (decrease) in other liabilities		(7,636)	(58)	(6,885)	(8,058)
Income tax paid and refunded		(973)	(1,828)	(1,383)	(3,143)
Net cash provided by operating activities		**9,543**	**6,532**	**21,319**	**(6,191)**
Cash flow from investing activities					
Investments in property plant and equipment	(11)	(5,055)	(2,419)	(9,013)	(6,813)
Investments in intangible assets	(12)	(11,054)	(10,194)	(22,829)	(27,841)
Interest received		82	4	145	6
Net cash used in investing activities		**(16,027)**	**(12,609)**	**(31,697)**	**(34,648)**
Cash flow from financing activities					
Proceeds from capital increase and exercise of stock options	(18)	97	3,564	97	3,564
Repayment of lease liabilities	(13)	(1,557)	(1,116)	(3,228)	(2,341)
Proceeds from financial liabilities to Adtran Holdings, Inc.	(14)	—	—	64,617	—
Cash repayment of financial liabilities to Adtran Holdings, Inc.	(14)	(9,278)	—	(11,611)	—
Proceeds from liabilities to banks	(14)	—	—	10,000	—
Cash repayment of liabilities to bank	(14)	—	(7,500)	(56,500)	(7,500)
Interest paid		(1,274)	(494)	(1,698)	(668)
Net cash used in financing activities		**(12,012)**	**(5,546)**	**1,677**	**(6,945)**
Net effect of foreign currency translation on cash and cash equivalents		(150)	1,808	(1,151)	1,984
Net change in cash and cash equivalents		**(18,646)**	**(9,815)**	**(9,852)**	**(45,800)**
Cash and cash equivalents at the beginning of the period		67,241	73,002	58,447	108,987
Cash and cash equivalents at the end of the period		**48,595**	**63,187**	**48,595**	**63,187**

Consolidated statement of changes in stockholders’ equity

(in thousands of EUR, except number of shares)	Share capital: Number of shares	Share capital: Par value	Capital reserve	Net income (loss) and accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity entitled to the owners of the parent company
Balance on January 1, 2022	**51,445,892**	**51,446**	**327,777**	**(35,116)**	**(4,195)**	**339,912**
Capital increase, including exercise of stock options	456,608	457	3,107	—	—	3,564
Stock options outstanding	—	—	771	—	—	771
Net income	—	—	—	13,470	—	13,470
Exchange differences on translation of foreign operations	—	—	—	—	5,395	5,395
Remeasurement of defined benefit plans	—	—	—	—	—	—
Comprehensive income	—	—	—	13,470	5,395	18,865
Balance on June 30, 2022	**51,902,500**	**51,903**	**331,655**	**(21,646)**	**1,200**	**363,112**
Balance on January 1, 2023	**52,004,500**	**52,005**	**333,531**	**(16,984)**	**528**	**369,080**
Capital increase, including exercise of stock options	12,500	12	85			97
Stock options outstanding			283			283
Net income				6,915		6,915
Exchange differences on translation of foreign operations					(1,603)	(1,603)
Remeasurement of defined benefit plans					—	—
Comprehensive income				6,915	(1,603)	5,312
Balance on June 30, 2023	**52,017,000**	**52,017**	**333,899**	**(10,069)**	**(1,075)**	**374,772**

Details on changes in stockholders’ equity are presented in note (18).

Notes to the condensed interim financial statements (unaudited)

(1) Information about the company and the group

Following the resolution of the annual shareholders meeting on May 24, 2023, ADVA Optical Networking SE was renamed to Adtran Networks SE (hereinafter also referred to as the “company” or “Adtran Networks SE”) with effect from June 8, 2023. The company is a Societas Europaea domiciled in Meiningen, Germany, with its registered office at Märzenquelle 1–3, 98617 Meiningen, and is registered as HRB 508155 at the commercial register in Jena.

The Adtran Networks group (hereinafter also referred to as “Adtran Networks” 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. Adtran Networks 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, 2023, 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, 2022.

The condensed interim consolidated financial statements for the period ended June 30, 2023, have neither been audited nor subject to a limited review by the group auditor PricewaterhouseCoopers GmbH, 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 consolidated statement of financial position and in the consolidated income statement are summarized in the interest of clarity, this is explained in the notes to the consolidated financial statements.

The interim financial statements of the individual subsidiaries of the holding company Adtran Networks 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, 2023, cannot be extrapolated to the result of the full year 2023.

(3) Effects of new standards and interpretations

With the exception of the application of new and revised IFRS and interpretations (IFRIC) in the past financial year, the accounting and valuation methods of the consolidated financial statements as of December 31, 2022 will be continued unchanged.

Standards, amendments and interpretations applicable for the first time in 2023

In 2023, 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 17 including amendments	Insurance contracts	Jan. 1, 2023	none
Amendments to IAS 1	Classification of liabilities as current or non-current	Jan. 1, 2023	none
Amendments to IAS 1	Disclosure of accounting principles	Jan. 1, 2023	none
Amendments to IAS 8	Definition of accounting-related estimates	Jan. 1, 2023	none
Amendments to IAS 12	Deferred taxes relating to assets and liabilities from a single business transaction	Jan. 1, 2023	none

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

New accounting requirements not yet applicable for first-time adoption in 2023

The IASB and the IFRIC have issued further Standards and Interpretations in 2023 and previous years that were either not applicable for the financial year 2023 or whose first-time adoption is still subject to endorsement by the EU.

Standard	Topic	First-time adoption*	Expected impact on the financial position and performance
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	Jan. 1, 2024	under review
Amendments to IAS 1	Classification of liabilities as current or non-current and non-current liabilities with covenants	Jan. 1, 2024	under review
Amendments to IFRS 16	Lease liabilities in a sale and leaseback agreement	Jan. 1, 2024	none
Amendments to IAS 12	International tax reform - Pillar two model rules	Jan. 1, 2023	under review

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

(4) Significant accounting judgements, estimates and assumptions

The preparation of the groups 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. Assumptions used to make estimates are regularly reviewed. Changes in estimates only affecting one accounting period are only considered in that accounting period. In the case of changes in estimates that affect the current and future accounting periods, these are considered appropriately in the current and subsequent accounting periods.

Discussed below are the key judgments and assumptions concerning the future and other key sources of estimation and 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 next financial year.

Development expenses

Development expenses are capitalized in accordance with the accounting policy described in note (4). Initial capitalization of costs is based on management judgment assuming 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 (12) 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 (11) and (12) 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. For further details on the valuation of pension obligations, see note (16).

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. See note (29) for the carrying amounts involved.

Provisions

Significant estimates are involved in the determination of provisions related to warranty costs and legal proceedings a. 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 (16).

Transaction price for customer loyalty programs

Points accumulated for purchases provide a material right to customers that they would not receive without entering into a contract. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience.

Accounting for combined supply and service contracts

Adtran Networks provides contracts that have more than one separate performance obligation (multiple element arrangements). The transaction price is allocated to the performance obligations in the contract by reference to their relative standalone selling prices.If a standalone selling price is not directly observable Adtran Networks will need to estimate it. These estimates have a significant impact on the timing of revenue recognition.

Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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. See note (24) for the carrying amounts involved.

Non-financial risks

The assessment of the impact of non-financial risks (global warming, circular economy, new regulations) on the recognition and measurement of assets and liabilities is based on significant management judgments and assumptions. Non-financial risks are assessed by management as long-term risks that currently have no significant impact on net realizable values, recoverable amounts, useful lives or the requirement to recognize provisions.

(5) Cash and cash equivalents

Cash and cash equivalents include current funds as well as current financial assets with a remaining maturity that does not exceed three months and that are readily convertible to a known amount of cash and only subject to an insignificant risk of changes in value.

On June 30, 2023, cash of EUR 2,940 thousand (December 31, 2022: EUR 2,669 thousand) held in China is subject to local exchange control regulations. These local 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.

(6) Trade accounts receivable

Trade accounts receivable are non-interest-bearing and are due within 30 to 120 days in general. For specific projects, other payment terms may be agreed.

Gross and net trade accounts receivable are as follows:

(in thousands of EUR)	Jun. 30, 2023	Dec. 31, 2022
Gross trade accounts receivable	**119,493**	**127,547**
Allowance for expected credit losses	(3,826)	(3,896)
Net trade accounts receivable	**115,667**	**123,651**

A reconciliation of the risk provision for trade accounts receivable carried at amortized cost is included in the table below:

(in thousands of EUR)	6M 2023	6M 2022
Jan. 1	**3,896**	**2,629**
Increase of risk provision	—	47
Release of risk provision	(19)	—
Addition of specific allowances	—	915
Usage	—	—
Foreign currency translation effects	(51)	152
Jun. 30	**3,826**	**3,743**

Until end of Q3 2022 the group had a supplier finance agreement, which entitled the transfer of trade receivables from a specific customer. Credit risks and settlement risks were transferred to the financing institution. The group fully derecognized sold trade receivables as all risks and rewards are transferred. ADVA paid an annual fee amounting to LIBOR plus 0.75 % on the volume of receivables transferred. In 6M 2022, the group incurred interest expenses of EUR 75 thousand pertaining to this arrangement.

In Q2 2020, the group concluded another revolving factoring agreement with a maximum annual volume of EUR 20,000 thousand. The contract entitles to transfer uninsured trade receivables with certain customers. The agreement is for an indefinite period . The risks relevant to the risk assessment in relation to the receivables sold are the default risk and the late payment risk. As of June 30, 2023, receivables amounting to EUR 13,497 thousand (December 31, 2022: EUR 13,893 thousand) were sold, of which EUR 1,069 thousand (December 31, 2022: EUR 1,113 thousand) was not paid out as reserve. These reserves are recognized in other assets.

The group accounts for the sold trade receivables from the revolving factoring agreement in the amount of their continuing involvement. On June 30, 2023, the continuing involvement asset in the amount of EUR 540 thousand (December 31, 2022: EUR 560 thousand) was recognized as a liability and includes the maximum loss for the default and late payment risk for Adtran Networks. The fair value of these guarantees or the interest payments to be made were recognized in the profit and loss statement and also recognized as other liabilities in the amount of EUR 99 thousand (December 31, 2022: EUR 102 thousand).

On June 30, 2023, trade accounts receivable include receivables of EUR 35,977 thousand related to the existing sale of receivables agreement (December 31, 2022: EUR 9,877 thousand), for which no transfer had taken place as of June 30, 2023.

(7) Inventories

In 6M 2023, impairment of inventories amounting to EUR 7,086 thousand (6M 2022: EUR 3,787 thousand) was recognized as an expense within cost of goods sold. This amount includes reversals of earlier write-downs amounting to EUR 932 thousand (6M 2022: EUR 1,035 thousand) due to higher selling and input prices.

In 6M 2023 and 6M 2022, material costs of EUR 176,129 thousand and EUR 165,500 thousand, respectively, have been recognized.

(8) Contract assets

Contract assets amounting to EUR 293 thousand (prior year: EUR 248 thousand) relate to claims from return deliveries. Contract assets are subject to the impairment requirements of IFRS 9, however the identified impairment losses were insignificant.

(9) Other current and non-current assets

Other current assets are as follows:

(in thousands of EUR)	Jun. 30, 2023	Dec. 31, 2022
Non-financial assets		
Prepaid expenses	7,246	4,688
Receivables due from tax authorities	936	1,073
Other	1,356	1,322
Total current non-financial assets	**10,907**	**8,811**
Financial assets		
Government grant allowances for research projects	7,538	6,860
Positive fair values of derivative financial instruments	24	59
Reserves relating to a revolving factoring agreement	1,069	1,113
Refund of duty & logistic charges	—	1,113
Other	1,231	1,177
Total current financial assets	**9,861**	**9,209**
Total current assets	**20,768**	**18,020**

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

Other non-current assets are as follows:

(in thousands of EUR)	Jun. 30, 2023	Dec. 31, 2022
Financial assets		
Investments	0	0
Government grant allowances for research projects	3,633	4,240
Rent deposits	1,744	1,609
Other	234	250
Total non-current assets	**5,610**	**6,099**

The fair value of the investment of 7.1 % (previous year: 7.1 %) of the shares in Saguna Networks Ltd., Nesher, Israel, amounted to zero on June 30, 2023. A review of the fair value at year-end did not indicate any write-up.

On June 30, 2023, government grants for 21 research projects are recognized (December 31, 2022: 25 research projects). These public grants relate to programs promoted by the EU and national governments. Adtran Networks does not expect any defaults based on high credit rankings.

The rent deposits are mainly assets held in trust. Adtran Networks does not expect any defaults.

On June 30, 2023 and December 31, 2022, no non-financial non-current assets have been reported.

(10) Right-of-use assets

Right-of-use assets can be analyzed as follows:

(in thousands of EUR)	Jun. 30, 2023	Dec. 31, 2022
Leased cars	1,469	1,332
Leased premises	14,724	17,302
Total right-of-use assets	**16,194**	**18,634**

From January 1, 2019, lease terms of between 36 and 120 months were applied taking into account the minimum rental periods and contractual extension options. In 6M 2023, depreciation of EUR 408 thousand (6M 2022: EUR 501 thousand) for vehicles and EUR 2,858 thousand for office and building rentals are included in operating profit (6M 2022: EUR 2,492 thousand).

An amount of EUR 475 thousand, which mainly relates to short-term leases continues to be recognized in operating profit (6M 2022: EUR 388 thousand). In addition, variable lease payments of EUR 1,605 thousand were not included in the measurement of lease liabilities and are also recognized in operating profit (6M 2022: EUR 1,206 thousand). There are no major lease payments related to low value contracts. In the cash flow statement, the cash outflows resulting from these items are included in the cash flow from operating activities.

In 6M 2023 and 6M 2022 no impairment of right-of-use assets was recognized.

(11) Property, plant and equipment

Property, plant and equipment can be analyzed as follows:

(in thousands of EUR)	Jun. 30, 2023	Dec. 31, 2022
Land and buildings	4,478	4,885
Technical equipment and machinery	20,105	21,785
Factory and office equipment	2,992	2,671
Assets under construction	9,897	6,570
Total property, plant and equipment	**37,472**	**35,911**

In 6M 2023 and 6M 2022, there were neither impairments nor write-backs of property, plant and equipment impaired in prior years.

In 6M 2023, the group has not received any cash payments for government grants related to purchases (6M 2022: none). Based on grant notifications no historical costs have been deducted in 6M 2023 (6M 2022: none).

(12) Intangibles assets

Capitalized development projects include expenses related to the development of technologies and products for connectivity solutions for cloud and mobile services, network functions virtualization (NFV) and synchronization technology.

In 6M 2023, borrowing costs of EUR 556 thousand (6M 2022: EUR 248 thousand) were capitalized related to development projects with an expected duration of more than 12 months. Borrowing costs were capitalized at the weighted average rate of the financial liabilities of 3.8 % (prior year: 1.6 %).

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

(in thousands of EUR)	Jun. 30, 2023	Dec. 31, 2022
Purchased technology MRV	254	1,011
Purchased customer relationships Overture	385	759
Purchased customer relationship MRV	5,923	6,749
Total intangible assets acquired in business combinations	**6,562**	**8,519**

Amortization of intangible assets with a finite useful life comprises:

(in thousands of EUR)	Q2 2023	Q2 2022	6M 2023	6M 2022
Capitalized development projects	9,828	10,532	19,081	21,734
Intangible assets acquired in business combinations	882	913	1,776	1,847
Other intangible assets	244	678	546	1,355
Total amortization of intangible assets	**10,954**	**12,123**	**21,403**	**24,936**

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

(in thousands of EUR)	Q2 2023	Q2 2022	6M 2023	6M 2022
Purchased software technology Overture	—	—	—	58
Purchased technology MRV	373	393	750	775
Purchased customer relationships Overture	179	183	360	356
Purchased customer relationships MRV	330	337	666	658
Total amortization of intangible assets acquired in business combinations	**882**	**913**	**1,776**	**1,847**

In the income statement, amortization of capitalized development projects and amortization of purchased technology is included in cost of goods sold. Amortization of purchased customer relationship assets is included in selling and marketing expenses.

In 6M 2023 and 6M 2022 no impairment of intangible assets with finite useful economic lives was recognized.

(13) Lease liabilities

Variable lease payments of EUR 1.605 thousand have not been included in the measurement of lease liabilities and were recognized in profit and loss (6M 2022: EUR 1,206 thousand). In the cash flow statement, the cash outflows resulting from these items are included in the cash flow from operating activities.

The interest expense of EUR 306 thousand is included in the financial result (6M 2022: EUR 360 thousand).

The maturity of lease liabilities is as follows:

(in thousands of EUR)	Jun. 30, 2023	Dec. 31, 2022
Up to 1 year	4,638	5,648
One to three years	8,198	8,316
More than three years	5,536	7,239
	18,372	**21,202**

(14) Financial liabilities

On June 30, 2023, the group had utilized a committed borrowing facilities of EUR 15,000 thousand in the amount of EUR 10,000 thousand (December 31, 2022: committed borrowing facilities amounting to EUR 33,500 thousand were fully utilized).

Further on June 30, 2023, Adtran Networks reported a financial liability to Adtran Holdings, Inc. regarding a loan of EUR 53,006 thousand.

At June 30, 2023, the fair value of the loans is equal to their carrying amount.

(15) 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. The increase in trade accounts payable mainly results from demand-oriented purchases of materials.

Other current liabilities are as follows:

(in thousands of EUR)	Jun. 30, 2023	Dec. 31, 2022
Non-financial liabilities		
Liabilities to employees for variable compensation and payroll	4,232	21,513
Liabilities to employees for vacation	6,224	2,618
Liabilities due to withheld wage income tax and social security contribution	4,384	3,938
Liabilities due to tax authorities	4,704	6,837
Obligations from subsidized research projects	7,598	7,134
Total current non-financial liabilities	**27,142**	**42,040**
Financial liabilities		
Negative fair value of derivatives	251	590
Other	1,293	2,017
Total current financial liabilities	**1,544**	**2,607**
Total current liabilities	**28,686**	**44,647**

Other non-current liabilities include:

(in thousands of EUR)	Jun. 30, 2023	Dec. 31, 2022
Non-financial liabilities		
Obligations from subsidized research projects	4,110	4,719
Other	17	17
Total non-current non-financial liabilities	**4,127**	**4,736**
Financial liabilities		
Other	21	20
Total non-current financial liabilities	**21**	**20**
Total non-current liabilities	**4,148**	**4,756**

The measurement of the assets and liabilities at fair value through profit or loss is based on fair values of Level 2.

Forward rate agreements are measured using quoted forward exchange rates and yield curves derived from quoted interest rates according to the maturities of the contract.

For all financial liabilities the fair value corresponds with the book value of the respective positions on June 30, 2023 The classification is in line with the disclosure in the group's annual financial statements per December 31, 2022.

(16) Pension obligations and other provisions

Additions to pension provisions are made during the year on the basis of a forecast value determined as part of the actuarial valuation as of December 31, 2022.

Other provisions are as follows:

(in thousands of EUR)	Jun. 30, 2023	Dec. 31, 2022
Current provisions		
Warranty provision	389	374
Personnel provisions	3,544	1,165
Consulting fees	993	3,028
Supplier obligations	10,471	11,770
Other short-term provisions	638	994
Total current provisions	**16,035**	**17,331**
Non-current provisions		
Warranty provision	1,834	1,769
Non-current personnel provisions	—	—
Other long-term provisions	—	—
Total non-current provisions	**1,834**	**1,769**
Total provisions	**17,870**	**19,100**

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, expenses for employee's accident insurance and other expenses resulting from legal requirements. 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.

Reversals of provisions from previous years are reported under other operating income (see note (21)).

(17) Contract liabilities and refund liabilities

Contract and refund liabilities are as follows:

(in thousands of EUR)	Jun. 30, 2023	Dec. 31, 2022
Current contract liabilities		
Advance payments received	1,547	3,164
Current contract liabilities related to customer loyalty programs	850	583
Current deferred revenues related to service level agreements	26,154	17,441
Total current contract liabilities	**28,552**	**21,188**
Current refund liabilities	567	506
Total refund liabilities	**567**	**506**
Non-current contract liabilities		
Non-current deferred revenues related to service level agreements	11,924	8,622
Total non-current contract liabilities	**11,924**	**8,622**
Total contract liabilities	**41,043**	**30,316**

Current contract liabilities related to customer loyalty programs include mainly expected volume discounts and refunds to customers.

The revenues generated in the reporting period from contract liabilities existing at the beginning of the period amounted to EUR 13,715 thousand (previous year: EUR 13,813 thousand).

Management expects that 69 % of the outstanding or partially outstanding benefit obligations as of June 30, 2023, will be recognized as revenue within the next twelve months. The remaining 31 % is expected to be recognized as sales after twelve months in financial year 2024 and later. The amount stated does not include variable compensation components which are limited.

(18) Stockholders' equity

On June 30, 2023 the share capital amounts to EUR 52,017,000 (on December 31, 2022: EUR 52,004,500).

In connection with the exercise of stock options, 12,500 shares were issued to employees and management board of the company and its group companies out of conditional capital in 6M 2023. The par value of EUR 12 thousand was appropriated to the share capital, whereas the premium of EUR 85 thousand was recognized as capital reserve.

Accumulated other comprehensive income/(loss) is used to record exchange differences arising from the translation of the financial statements of foreign operations. In addition, the result from remeasurement of defined benefit obligations is included in this line item. The complete changes in other comprehensive income in 6M 2023 and the prior-year period result from translation effects. Remeasurement of defined benefit plans is regularly done at year-end. In 6M 2023 and

6M 2022 no items were reclassified (recycled) from comprehensive income to profit or loss.

In the annual shareholder´s meeting on May 24, 2023, no increase of the conditional capital 2011/I was resolved.

Considering the above-described capital transactions, the total conditional capital on June 30, 2023 amounts to EUR 3,528 thousand.

The changes in share capital, authorized and conditional capital are summarized below:

(in thousands of EUR)	Share capital	Authorized capital 2019/I	Conditional capital 2011/I
Jan. 1, 2023	**52,005**	**24,965**	**3,541**
Changes due to Annual Shareholders' Meeting resolutions	—	—	—
Stock options exercised	13	—	(13)
June 30, 2023	**52,017**	**24,965**	**3,528**

Further details on stockholders' equity are included in the consolidated statement of changes in stockholders' equity.

(19) Revenues

In 6M 2023 and 6M 2022, revenues included EUR 48,278 thousand and EUR 45,851 thousand for services, respectively. The remaining revenues relate mainly to product sales.

In 6M 2023, revenues related to customer loyalty programs amounting to EUR 252 thousand have been recognized (6M 2022: EUR 146 thousand).

In 6M 2023, revenues amounting to EUR 316,583 thousand (prior year: EUR 299,488 thousand) relate to performance obligations that were performed at a specific point in time, and revenues of EUR 32,963 thousand (6M 2022: EUR 37,330 thousand) relate to performance obligations that were delivered over a period of time.

A segmentation of revenues by geographic region is provided in the section on segment reporting under note (26).

(20) Selling and marketing, general and administration and research and development expenses

Selling and marketing, general and administration and research and development expenses mainly include personnel expenses relating to wages and salaries and social security costs.

In addition, general and administration expenses include expenses for external services provided for legal, accounting and tax purposes.

Research and development expenses additionally include external service expenses mainly for research and development services, calibration and certification and legal fees as well as depreciation expenses for equipment and cost of material used for research and development.

(21) Other operating income and expenses

Other operating income and expenses are as follows:

(in thousands of EUR)	Q2 2023	Q2 2022	6M 2023	6M 2022
Other operating income				
Government grants received	847	544	1,420	929
Release of provisions	1,962	13	1,962	691
Income for the supply of development services	145	—	145	24
Supplier revenues	886	—	2,108	—
Refund of duty and logistic charges	—	2,009	—	2,009
Other	161	(161)	271	408
Total other operating income	**4,002**	**2,405**	**5,906**	**4,061**
Other operating expenses				
Derecognition of trade accounts receivable	(15)	—	(15)	—
Other	(26)	(146)	(66)	(446)
Total other operating expenses	**(41)**	**(146)**	**(81)**	**(446)**
Other operating income and expenses, net	**3,962**	**2,259**	**5,825**	**3,615**

(22) 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.

Interest expenses are primarily incurred on financial liabilities and on the sale of receivables. In addition, net interest expenses from valuation of defined benefit plans and interest expenses related to leases according to IFRS 16 are included.

For further details, refer to notes (6) and (13).

(23) Other financial gains and losses

Other financial gains and losses, net, comprise the following:

(in thousands of EUR)	Q2 2023	Q2 2022	6M 2023	6M 2022
Foreign currency exchange gains	3,501	8,479	9,462	12,028
Thereof: gains from forward rate agreements	*16*	*1,047*	*65*	*1,468*
Foreign currency exchange losses	(4,544)	(5,354)	(12,256)	(7,770)
Thereof: losses from forward rate agreements	*(401)*	*9*	*(894)*	*(36)*
Total other financial gains and losses, net	**(1,043)**	**3,125**	**(2,794)**	**4,258**

(24) Income tax

The tax expenses in 6M 2023 and 6M 2022 result from the application of the expected tax rate of the group to the current IFRS result. The expected tax rate is calculated based on a tax planning for the financial year.

(25) Consolidated cash flow statement

The consolidated cash flow statement has been prepared in accordance with IAS 7.

Cash and cash equivalents include short-term cash and short-term financial assets whose remaining maturity does not exceed three months. Bank overdrafts are reported in financial liabilities.

Cash flows from investing and financing activities are determined directly, whereas the cash flow from operating activities is derived indirectly from the consolidated income before tax. When cash flow from operating activities is calculated, the changes in assets and liabilities are adjusted for the effects of currency translation. As a result, it is not possible to reconcile the figures to the differences in the published consolidated statement of financial position.

The movements of liabilities from financing activities are as follows:

(in thousands of EUR)	Lease liabilities	Liabilities to banks	Liabilities to Adtran Holdings, Inc.	Total liabilities from financing activities
Jan. 1, 2022	**25,014**	**47,807**	**—**	**72,821**
Repayments	(2,885)	(7,500)	—	(10,385)
Non-cash changes	1,084	69	—	1,153
Foreign currency exchange effects	544	—	—	544
Jun. 30, 2022	**23,757**	**40,376**	**—**	**64,133**
Jan. 1, 2023	**21,202**	**56,430**	**—**	**77,632**
Repayments	(2,934)	(46,500)	53,006	3,572
Non-cash changes	1,072	70	—	1,142
Foreign currency exchange effects	(294)	—	—	(294)
Jun. 30, 2023	**19,046**	**10,000**	**53,006**	**82,052**

Actual interest payments for liabilities to banks amounting to EUR 437 thousand (6M 2022: EUR 308 thousand), interest payments for financial liabilities to Adtran Holdings, Inc. amounting to EUR 955 thousand (6M 2023: nil) and interest related to lease liabilities of EUR 306 thousand (6M 2022: EUR 360 thousand) are included in cash flow from financing activities.

Non-cash changes include effective interest rate changes on liabilities to banks as well as non-cash effective increases or decreases in lease liabilities due to consideration of new lease contracts or disposal of lease contracts.

Cash and cash equivalents to which the group only has restricted access are explained in note (5).

(26) 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, i.e. the management board, and regularly reviewed to make decisions about resources to be assigned to the segment and assess its performance. The internal organizational and management structure and the structure of internal financial reporting activities are the key factors in determining what information is reported. For making decisions about resource allocation and performance assessment, management does not monitor the operating results separately on the level of business units. Therefore the reporting on individual business segment does not apply.

Within the Adtran Networks group, management decisions are based on pro forma EBIT. 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. Additionally, expenses related to M&A and restructuring measures are not included. Income from capitalization of development expenses is shown as a separate line item and not deducted from research and development expenses.

Reconciliation of key performance measures to the consolidated financial income on June 30, 2023 presents as follows:

(in thousands of EUR)	Pro forma financial information	Intangible assets from acquisitions	Goodwill	Compensation expenses	Expenses related to M&A transactions	Disclosure of R&D expenses	Consolidated financial information
Revenues	349,546	—	—	—	—	—	349,546
Cost of goods sold	(230,943)	(750)	—	(250)	(35)	—	(231,978)
Gross profit	**118,603**	**(750)**	**—**	**(250)**	**(35)**	**—**	**117,568**
Gross margin	**33.9 %**						**33.6 %**
Selling and marketing expenses	(32,621)	(1,026)	—	(690)	(1,020)	—	(35,357)
General and administrative expenses	(16,986)	—	—	(121)	(1,672)	—	(18,779)
Research and development expenses	(74,530)	—	—	(1,346)	(652)	21,531	(54,997)
Income from capitalization of development expenses	21,531	—	—	—	—	(21,531)	—
Other operating income	5,906	—	—	—	—	—	5,906
Other operating expenses	(81)	—	—	—	—	—	(81)
Operating income	**21,823**	**(1,776)**	**—**	**(2,407)**	**(3,379)**	**—**	**14,260**
Operating margin	**6.2 %**						**4.1 %**
Segment assets	**550,398**	**6,561**	**70,022**	**—**	**—**	**—**	**626,981**

Reconciliation of key performance measures to the consolidated financial income on June 30, 2022 presents as follows:

(in thousands of EUR)	Pro forma financial information	Intangible assets from acquisitions	Goodwill	Compensation expenses	Expenses related to M&A transactions	Disclosure of R&D expenses	Consolidated financial information
Revenues	336,818	—	—	—	—	—	336,818
Cost of goods sold	(229,077)	(833)	—	(62)	—	—	(229,972)
Gross profit	**107,741**	**(833)**	**—**	**(62)**	**—**	**—**	**106,846**
Gross margin	**32.0 %**						**31.7 %**
Selling and marketing expenses	(35,016)	(1,014)	—	(247)	—	—	(36,277)
General and administrative expenses	(18,813)	—	—	(188)	(930)	—	(19,931)
Research and development expenses	(65,459)	—	—	(342)	—	22,179	(43,622)
Income from capitalization of development expenses	22,179	—	—	—	—	(22,179)	—
Other operating income	4,061	—	—	—	—	—	4,061
Other operating expenses	(446)	—	—	—	—	—	(446)
Operating income	**14,247**	**(1,847)**	**—**	**(840)**	**(930)**	**—**	**10,631**
Operating margin	**4.2 %**						**3.2 %**
Segment assets	**539,796**	**10,477**	**75,628**	**—**	**—**	**—**	**625,900**

Additional information by geographical regions:

(in thousands of EUR)	Q2 2023	Q2 2022	6M 2023	6M 2022
Revenues				
Germany	41,903	36,702	91,143	76,294
Rest of Europe, Middle East and Africa	56,782	56,238	112,188	113,020
Americas	57,594	59,378	119,561	118,549
Asia-Pacific	13,910	14,001	26,655	28,955
Total revenues	**170,190**	**166,320**	**349,547**	**336,818**

(in thousands of EUR)	Jun. 30, 2023	Dec. 31, 2022
Non-current assets		
Germany	152,807	147,459
Rest of Europe, Middle East and Africa	19,680	21,515
Americas	75,630	79,717
Asia-Pacific	2,910	3,259
Total non-current assets for segment reporting	**251,026**	**251,950**

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

In 6M 2023, revenues with two major customers exceeded 10 % of total revenues (6M 2022: two major customers). In 6M 2023, the share of revenues allocated to major customers was EUR 89,564 thousand (6M 2022: EUR 93,868 thousand); thereof revenue with the biggest customer was EUR 46,461 thousand (6M 2022: EUR 50,532 thousand) and with the second biggest customer was EUR 43,103 thousand (prior year: EUR 43,336 thousand).

Non-current assets including property, plant and equipment, intangible assets and finance lease equipment are attributed based on the location of the respective group company.

(27) Other financial obligations and financial commitments

On June 30, 2023, the group had purchase commitments totaling EUR 109,953 thousand (on December 31, 2022: EUR 166,350 thousand) in respect to suppliers. The decrease compared to the previous year is mainly due to lower order requirements as a result of relaxation of the supply shortages in the semiconductor industry.

Group entities have issued guarantees in favor of customers. On June 30, 2023, performance bonds with a maximum guaranteed amount of EUR 229 thousand were issued (on December 31, 2022: EUR 317). Based on experience from prior periods, Adtran Networks does not expect claims from these guarantees at the end of 6M 2023.

Moreover, there are certain guarantee obligations from ADVA North America Inc. and Adtran Networks (UK) Ltd. to Adtran Networks SE with respect to various financing agreements.

(28) 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, 2023, Adtran Networks does not expect potential titles or litigations that will in detail or in total have a material impact on its financial position or operating performance.

(29) Stock option programs

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

	Stock Option Program 2011 Plan XIV	Stock Option Program 2011 Plan XIVa	Stock Option Program 2020 Plan XVIa
Options outstanding on Jan. 1, 2022	**2,083,600**	**704,767**	**100,000**
Granted options	15,000	361,900	—
Exercised options	(479,800)	(78,808)	—
Forfeited options	(55,100)	—	—
Expired options	(21,000)	—	—
Converted options (Adtran)	(1,461,700)	(987,859)	(100,000)
Options outstanding on Dec. 31, 2022	**81,000**	**—**	**—**
Granted options	—	—	—
Exercised options	(12,500)	—	—
Forfeited options	—	—	—
Expired options	(1,000)	—	
Options outstanding on June 30, 2023	**67,500**	**—**	**—**
Of which exercisable	13,000	—	—

In 6M 2023, Adtran, Inc. granted Restricted stock units (RSUs) and Performance stock units (PSUs) to Adtran Networks employees and members of the Adtran Networks SE management board.

RSUs are awards of a unit representing one share of common stock of Adtran, Inc. that upon satisfaction of certain conditions, restrictions and contingencies as determined, including the satisfaction of specified performance measures result in the issuance of one share of common stock of Adtran, Inc. The lifetime of these instruments is four years with 25% of RSUs vesting each year. RSUs are valued at share price at grant date.

PSUs are awards of a unit representing one share of common stock of Adtran, Inc., upon satisfaction of certain conditions, restrictions and contingencies as determined, including the satisfaction of specified performance measures. The number of PSU that are earned will be based on the total shareholder return (TSR) of Adtran, Inc. during the performance period relative to all companies in the Nasdaq telecommunication index. The participant is eligible to earn between 0% and 150% of the target number of PSU based on the companies relative TSR performance during the performance period. For every earned PSU one share of Adtran, Inc. common stock shall be issued to the participant. The performance period is three years beginning on the date of the grant. The fair value of the PSUs is measured using Monte Carlo simulation.

The development of the number of the share-based payment instruments issued to employees is explained in the following table:

	Plan ESP 15	RSU	PSU
Share-based payment instruments outstanding on Jan. 1, 2022	**—**	**—**	**—**
Options received from the exchange	1,204,774	—	—
Granted options	—	—	—
Exercised options	(52,988)	—	—
Forfeited options	(23,078)	—	—
Expired options	(4,945)	—	—
Share-based payment instruments outstanding on Dec. 31, 2022	**1,123,763**	**—**	**—**
Granted options	7,419	151,599	204,764
Exercised options	(5,954)	—	—
Forfeited options	(10,445)	—	—
Expired options	(29,673)	(1,580)	—
Transfer from management board to employee	178,434	—	—
Share-based payment instruments outstanding on June 30, 2023	**1,263,544**	**150,019**	**204,764**
Of which exercisable	457,607	—	—

The stock options granted in 2023 in plan ESP 15 result from the additional options exchanged in Q2 2023.

The development of the number of the share-based payment instruments issued to members of the management board is as follows:

	ESP 15	RSU	PSU
Share-based payment instruments outstanding on Jan. 1, 2022	**—**	**—**	**—**
Options received from the exchange	896,829	—	—
Granted options	—	—	—
Exercised options	(62,691)	—	—
Forfeited options	—	—	—
Expired options	—	—	—
Share-based payment instruments outstanding on Dec. 31, 2022	**834,138**	**—**	**—**
Granted options	—	16,557	167,165
Exercised options	—	—	—
Forfeited options		—	—
Expired options	(3,451)	—	—
Transfer from management board to employee	(178,434)	—	—
Transfer from management board to Adtran, Inc.	(232,007)	—	—
Share-based payment instruments outstanding on June 30, 2023	**420,246**	**16,557**	**167,165**
Of which exercisable	—	—	—

Compensation expenses arising from share-based compensation programs included in operating income were as follows:

(in thousands of EUR)	Q2 2023	Q2 2022	6M 2023	6M 2022
Plan XIV	278	336	473	618
Plan XIVa	—	71	—	153
Plan XVIa	22	34	(190)	68
RSU	151	—	283	—
PSU	10	—	15	—
ESP 15	532	—	1,064	—
RSU management board	4	—	4	—
PSU management board	11	—	11	—
ESP 15 management board	373	—	747	—
Total	**300**	**441**	**2,407**	**840**

(30) Related party transactions

Adtran Holdings, Inc. and its subsidiaries qualify as related parties to Adtran Networks SE and its subsidiaries on June 30, 2023, in the sense of IAS 24. On June 30, 2023, Adtran Holdings, Inc. held a 65.36 % share in the equity of Adtran Networks SE.

On June 30, 2023 trade accounts payables amounting to EUR 1,341 thousand (December 31, 2022: EUR 1,985 thousand) and no trade accounts receivables (December 31, 2022: EUR 198 thousand are reported in respect to Adtran Holdings, Inc. and Adtran, Inc.. Liabilities mainly include the recharged costs for the share-based payment instruments (see Note (29)) and interest from intercompany loan agreement.

In Q1 2023 a reseller agreement was concluded between Adtran Networks SE and Adtran, Inc. (reseller) and in Q2 2023 between Adtran Networks SE (reseller) and Adtran, Inc. Furthermore, in Q2 2023 a stock compensation recharges agreement was concluded between Adtran Networks SE and Adtran Holdings, Inc.

Moreover, Adtran Networks reports a financial liability to Adtran Holdings, Inc. as described in note (14).

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

(31) Governing boards

Management board

The members of the Management Board had been granted the following stock options and other share-based payment instruments by Adtran, Inc.:

	Stock Options / ESP 15		RSU		PSU	
	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2023	Dec. 31, 2022
Christoph Glingener Chief executive officer	233,775	250,853	7,625	—	81,737	—
Ulrich Dopfer Chief financial officer	186,471	199,034	8,932	—	85,428	—

From July 1, 2023, Thomas Stanton is chief executive officer of Adtran Networks SE. Christoph Glingener will return to his role as chief technology officer going forward.

Share-based payment instruments of the Management Board are explained in note (29).

Supervisory board

On June 30, 2023, no shares, stock options or other share-based payment instruments were held by members of the supervisory board (December 31, 2022: none).

On June 30, 2023, trade accounts payable to the supervisory board for the pro rata compensation for Q2 2023 with an amount of EUR 59 thousand were recognized (December 31, 2022: EUR 59 thousand). The pay-out of these payables was carried out in July 2023 (January 2023).

Johanna Hey resigned as member of the supervisory board and as chairwoman of the supervisory board of Adtran Networks SE as of June 30, 2023. Dr. Eduard Scheiterer is the new chairman of the supervisory board. Heike Kratzenstein was appointed by the court as a new member of the supervisory board on June 30, 2023.

(32) Events after the balance sheet date

There were no events after the balance sheet date that materially impacted the net assets and financial position of the group and Adtran Networks SE on June 30, 2023, or the group's and the company's financial performance for 6M 2023. Also, 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 groups website www.adva.com.

Meiningen, August 7, 2023

Tom Stanton　　　　Christoph Glingener

Ulrich Dopfer

Affirmative declaration of the legal representatives

We, the members of the management board of Adtran Networks SE, to the best of our knowledge affirm that, in accordance with the applicable reporting principles, the management report and the consolidated financial statements of the Adtran Networks 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, August 7, 2023

Tom Stanton　　　　Christoph Glingener

Ulrich Dopfer

Financial calendar

Press release for the 3rd quarter 2023	November 7, 2023 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 Adtran Networks’ 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. Adtran Networks’ supply chain has been affected by the global semiconductor crisis: component delivery times have increased significantly and, despite many countermeasures, Adtran Networks’ delivery times to customers are also increasing. Although potential future component bottlenecks are systematically identified and analyzed, and supply chain management actively counteracts them, the risk remains that not all customers can be supplied within a timeframe that is satisfactory to them. In addition, the management board sees short-term risks on the purchasing side, as delivery times have already been reduced and customers are actively managing their own inventories. There is therefore a risk that customers will currently order less and reduce their inventories. All risks and uncertainties remain unchanged and are explained in the "risk and opportunity report" section of the Group Management Report 2022.

Glossary

Capital employed

The capital employed is the difference between the average balance sheet total and the average current liabilities of the previous 12M period, calculated as the arithmetic average of the quarterly balance sheet date values.

DPO (days payable outstanding)

The key figure indicates the average number of days between receipt of invoice and outgoing payment.

DSO (days sales outstanding)

The key figure describes the average number of days between invoicing and receipt of payment.

Net cash

Net cash is calculated by subtracting financial debt comprising of current and non-current liabilities to banks and third-parties and current and non-current lease liabilities according to IFRS 16 Leases from cash and cash equivalents. A negative calculation result is referred to as net debt .

Net promoter score (NPS)

The NPS 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.

Pro forma EBIT

Pro forma EBIT 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 M&A and restructuring measures are not included.

ROCE (return on capital employed)

ROCE is the operating result for the previous 12M period divided by the capital employed.

Working capital

Working capital is defined as the total of trade accounts receivable and inventories less trade accounts payable.

Working capital ratio

The working capital ratio shows the net working capital on the balance sheet date in relation to the revenues of the current period.

Impressum

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Adtran Networks on the web

More information about Adtran Networks, including solutions, technologies and products, can be found on the company's website at www.adtran.com. PDF files of this quarterly report, as well as previous quarterly and annual reports, presentations and general investor information, are are available on www.adva.com/en/about-us/investors and can be downloaded in both English and German.

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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Disclaimer:

Potential inconsistencies in the table values are based on rounding differences.