

Adtran

Unlocking the future network

SIX-MONTH REPORT 2024

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Disclaimer:

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

IFRS financial highlights 6M 2024

Income statement

(in thousands of EUR, except earnings per share and ratios)	Q2 2024	Q2 2023	Change	6M 2024	6M 2023	Change
Revenues	108,165	170,188	(36)%	217,771	349,546	(38)%
Pro forma EBIT ¹	(2,481)	12,092	n/a	(5,884)	21,822	n/a
Pro forma EBIT margin in %	(2.3)	7.1	(9,4) pp	(2.7)	6.2	(8,9) pp
Operating income (loss)	(5,341)	8,033	n/a	(14,189)	14,260	n/a
Operating margin in %	(4.9)	4.7	(9,7) pp	(6.5)	4.1	(10,6) pp
Net income (loss)	(826)	3,288	n/a	(2,034)	6,915	n/a
Diluted earnings per share in EUR	(0.02)	0.06	n/a	(0.04)	0.13	n/a

Cash flow statement

(in thousands of EUR)	Q2 2024	Q2 2023	Change	6M 2024	6M 2023	Change
Cash flow from operating activities	16,311	9,543	71 %	35,815	21,319	68 %
Cash flow from investing activities	(26,316)	(16,027)	64 %	(39,432)	(31,697)	24 %

Balance sheet and financial ratios

(in thousands of EUR, except ratios)	Jun. 30, 2024	Dec. 31, 2023	Change
Financial liabilities to Adtran Holdings, Inc.	—	52,773	n/a
Liabilities to banks	86,290	13,286	n/a
Lease liabilities	27,859	30,828	(10)%
Financial debt	114,149	96,887	18 %
Cash and cash equivalents	41,476	30,554	36 %
Receivables from Adtran Holdings, Inc. due to loss absorption	23,934	23,934	— %
Loans granted to Adtran, Inc.	15,540	—	n/a
Net cash (debt)²	(33,199)	(42,399)	— %
Net working capital ³	155,370	178,765	(13)%
Working capital ratio in % ⁴	35.7	29.1	6,6pp
Equity	380,116	377,990	1 %
Equity ratio in %	55.7	57.5	(1,8)pp
Capital employed ⁵	482,442	436,934	10 %
ROCE in % ⁶	(3.1)	3.0	(6,1)pp

Employees

(at period end)	Jun. 30, 2024	Dec. 31, 2023	Change
	2,077	2,101	(1)%

¹ 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.

² Net cash is calculated by subtracting total financial liabilities from cash and cash equivalents. Total cash and cash equivalents include in addition to bank balances and petty cash, receivables from Adtran Holdings, Inc. from the domination and profit and loss transfer agreement and from the issue of a loan. Total financial liabilities comprise current and non-current financial liabilities to banks, including factoring agreements, as well as current and non-current financial liabilities to Adtran Holdings, Inc. including those from the domination and profit and loss transfer agreement and current and non-current lease liabilities in accordance with IFRS 16 Leases. A negative calculation result is referred to as net debt.

³ Net working capital is defined as the sum of trade receivables and inventories less trade payables.

⁴ The working capital ratio shows the net working capital on the balance sheet date in relation to the revenues of current period.

⁵ 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.

⁶ ROCE is the operating result for the current period divided by the capital employed.

Results of operations, net assets and financial position

Business development and operational performance

Revenue development and revenues by region

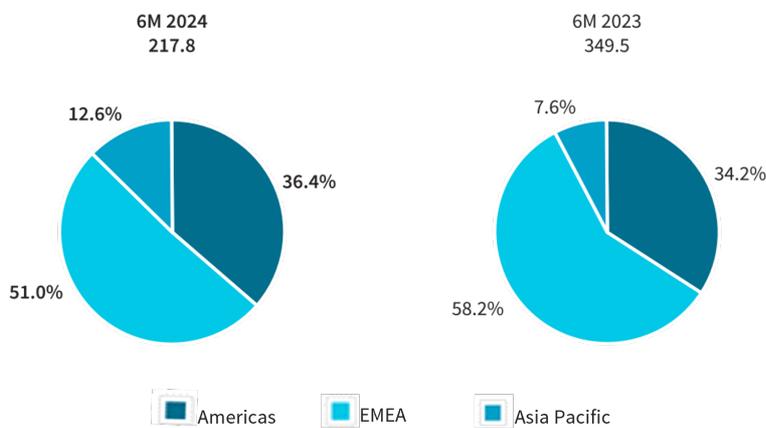
Revenues represent one of the four key performance indicators for Adtran Networks. The group's revenues in 6M 2024 amounted to EUR 217.8 million and were EUR 131.8 million or (37.7) % and thus clearly below revenues of EUR 349.5 million in 6M 2023. Compared to revenues of EUR 109.6 million in Q1 2024, revenues in Q2 2024 slightly decreased by 1.3 % to EUR 108.2 million. The decrease in revenues compared to 6M 2023 is driven largely by decreased demand from large network operators and the completion of some significant customer projects in previous periods.

In 6M 2024, EMEA (Europe, the Middle East and Africa) was once again the largest contributing sales region, followed by Americas and Asia-Pacific.

However, year-on-year sales in EMEA decreased significantly to EUR 111.1 million in 6M 2024 compared to EUR 203.3 million in 6M 2023 and represented 51.0% of total revenues in 6M 2024 after 58.2 % in the prior-year period. In this region the decline compared to the prior year period is due in particular to project related activity coming to a close and reduction in demand from Tier 1 large network operators .

Due to the reduced demand from large network operators revenues in Americas also decreased clearly by 33.7% from EUR 119.6 million in 6M 2023 to EUR 79.2 million in 6M 2024.

In Asia-Pacific, revenue slightly increased by 3.0% from EUR 26.6 million in 6M 2023 to EUR 27.4 million in 6M 2024. Demand was primarily driven by network operators and enterprise customers.



Results of operations

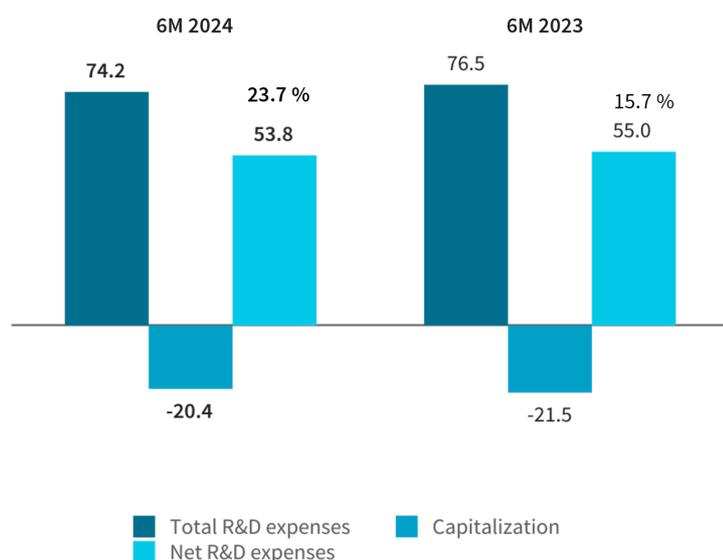
(in millions of EUR, except earnings per share)	6M 2024	Portion of revenues	6M 2023	Portion of revenues
Revenues	217.8	100.0 %	349.5	100.0 %
Cost of goods sold	(141.0)	64.7 %	(231.9)	66.3 %
Gross profit	76.7	35.2 %	117.6	33.6 %
Selling and marketing expenses	(30.5)	14.0 %	(35.4)	10.1 %
General and administrative expenses	(15.1)	6.9 %	(18.8)	5.4 %
Research and development expenses	(53.8)	24.7 %	(55.0)	15.7 %
Other operating income and expense, net	8.4	3.9 %	5.8	1.7 %
Operating income (loss)	(14.2)	(6.5)%	14.3	4.1 %
Interest income and expenses, net	(1.8)	0.8 %	(1.7)	0.5 %
Financial gains and losses, net	(0.1)	— %	(2.8)	0.8 %
Income (loss) before tax	(16.0)	(7.4)%	9.8	2.8 %
Income tax benefit (expense), net	14.0	6.4 %	(2.9)	0.8 %
Net income (loss)	(2.0)	(0.9)%	6.9	2.0 %
Earnings per share in EUR				
basic	(0.04)		0.13	
diluted	(0.04)		0.13	

Cost of goods sold decreased by EUR 90.9 million to EUR 141.0 million in 6M 2024. In 6M 2024, cost of goods sold included EUR 18.3 million (6M 2023: EUR 19.3 million) of amortization of capitalized development projects.

Gross profit reduced from EUR 117.6 million in 6M 2023 to EUR 76.7 million in 6M 2024, with gross margin at 35.2 % in 6M 2024 also above the 33.6 % reported in 6M 2023. The increase in the gross margin in 6M 2024 compared to 6M 2023 in particular results from disproportional reduction in the cost of goods sales in relation to the decline in revenues.

Within operating costs, sales and marketing expenses in 6M 2024 of EUR 30.5 million were below the prior-year number of EUR 35.4 million in 6M 2023. They amounted to 14.0 % of revenues in 6M 2024 after 10.1 % in 6M 2023.

General and administrative expenses of EUR 15.1 million in 6M 2024 also decreased compared to EUR 18.8 million in 6M 2023 and amounted to 6.9 % and 5.4 % of revenues, respectively.



At EUR 53.8 million in 6M 2024, R&D expenses were slightly below the EUR 55.0 million seen in 6M 2023, comprising 24.7 % and 15.7 % of revenues, respectively. Gross R&D expenses decreased to EUR 74.2 million in 6M 2024 compared to EUR 76.5 million reported in 6M 2023, while income from capitalization of development expenses decreased from EUR 21.5 million in 6M

2023 to EUR 20.4 million in 6M 2024. The capitalization rate in 6M 2024 amounted to 27.6 %, down from 28.1 % reported in 6M 2023.

Adtran Networks operating result significantly degraded from positive EUR 14.3 million in 6M 2023 to negative EUR 14.2 million in 6M 2024. In the current period revenues decreased clearly negatively impacting operating result.

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, integration 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 2024, Adtran Networks reported a pro forma EBIT of negative EUR 5.9 million after a pro forma EBIT of positive EUR 21.8 million in 6M 2023, representing negative 2.7 % after positive 6.2 % of revenues, respectively.

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

(in millions of EUR)	6M 2024	6M 2023
Operating income (loss)	(14.2)	14.3
Expenses related to share-based compensation	2.8	2.4
Amortization of intangible assets from business combinations	0.7	1.8
Expenses related to M&A transactions, integration and restructuring measures	4.8	3.4
Pro forma EBIT	(5.9)	21.8

Beyond the operating result net income in 6M 2024 is impacted by net interest expenses of EUR 1.8 million (6M 2023: net interest expenses of EUR 1.7 million), which includes interest effects from lease accounting of EUR 0.7million (6M 2023: EUR 0.3 million). Furthermore, net financial losses of EUR 0.1 million (6M 2023: net financial losses of EUR 2.8 million) relating to the revaluation of foreign currency assets and liabilities and the result on hedging instruments, impacted the net income in 6M 2024.

In 6M 2024, the group reported an income tax income of EUR 14.0 million after an income tax expense of EUR 2.9 million in 6M 2023. 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.

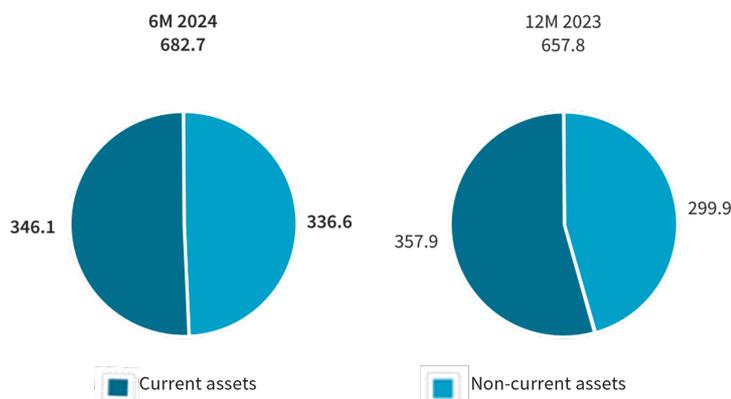
Summary: Business development and operational performance

In 6M 2024, Adtran Networks SE recorded a significant decrease in revenues with gross margin improving at the same time compared to the previous year. Operating result degraded significantly due to a disproportionately low decline in costs in relation to the decrease in revenues and was only partially offset by tax income. Thus, Adtran Networks reports a substantial decline in net result from a net profit of EUR 6.9 million in 6M 2023 to a net loss of EUR 2.0 million in the current period.

Net assets and financial position

Balance sheet structure

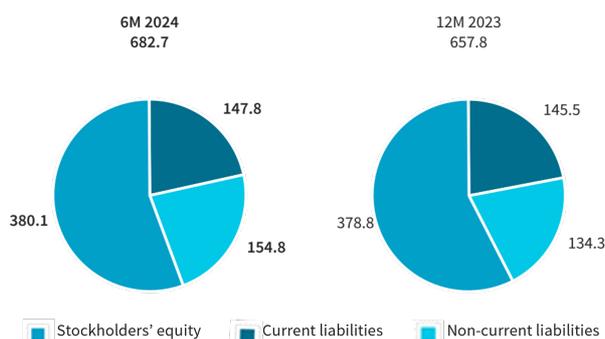
Adtran Networks total assets increased by EUR 24.9 million from EUR 657.8 million at the end of 2023 to EUR 682.7 million at the end of June 2024.



Current assets amounted to EUR 346.1 million at the end of 6M 2024, EUR 11.8 million lower than the corresponding balance of EUR 357.9 million at the end of 2023 and accounted for 50.7 % and 54.4 % of total assets at these reporting dates, respectively. The decrease in current assets was mainly due to decreased inventories from EUR 106.3 million on December 31, 2023 to EUR 90.3 million at the end of 6M 2024. In 6M 2024 inventory turns declined to 2,9 x compared to the value of 3,3 x in 12M 2023. Trade receivables decreased from EUR 115.6 million on December 31, 2023 to EUR 99.5 million at the end of 6M 2024 due to declined revenues in the current period when comparing to previous quarters. DSO⁷ were at 88 days in 6M 2024 and 71 days in 12M 2023. In contrast, cash and cash equivalents increased to EUR 41.5 million after EUR 30.6 million reported at the end of 2023. This results in particular from the cash inflows from financing activities and positive development of operating cash flow as further explained in the cash flow section.

Non-current assets increased clearly to EUR 336.6 million at the end of 6M 2024 from EUR 299.9 million at year-end 2023. The increase is due in particular to the rise in deferred tax assets due to the recognition of deferred tax assets on loss carryforwards from EUR 11.7 million at the end of 2023 to EUR 28.2 million as at June 30, 2024. In addition, the change in non-current assets was influenced in particular by the issue of a bond to Adtran, Inc. described in the Investments section.

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 Score⁸ is presented in the Annual Report 2023.



On the equity and liabilities side, current liabilities slightly increased by EUR 2.3 million from EUR 145.5 million on December 31, 2023 to EUR 147.8 million on June 30, 2024. Other current liabilities increased by EUR 4.7 million to EUR 41.8 million as of June 30, 2024. Current contract liabilities amounted to EUR 31.2 million as of June 30, 2024, compared to EUR 25.3 million reported at year-end 2023. At the same time, trade payables decreased to EUR 34.4 million at the end of 6M 2024, thus being EUR 8.7 million below the EUR 43.1 million reported at the end of December 2023. In 6M 2024, DPO⁹ amounted to 76 days compared to 62 days in 12M 2023.

⁷ The key figure describes the average number of days between invoicing and receipt of payment.

⁸ 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.

⁹ The key figure indicates the average number of days between receipt of invoice and outgoing payment.

Non-current liabilities of EUR 154.8 million at the end of 6M 2024 increased from the EUR 134.3 million reported at the end of 2023. This significant increase is due in particular to the refinancing via a bank loan of EUR 70.1 million (USD 75.0 million) at the end of 6M 2024. The loan of EUR 52.8 million granted by the Adtran Holdings, Inc. at the end of 2023 was repaid in full in this context.

Stockholders' equity increased from EUR 378.0 million reported on December 31, 2023, to EUR 380.1 million on June 30, 2024. The equity ratio was at 55.7 % on June 30, 2024, after 57.5 % on December 31, 2023, while the non-current assets ratio amounted to 112.9 % and 126.0 %, respectively, with stockholders' equity fully covering the non-current assets.

Capital expenditures

Capital expenditures for additions to property, plant and equipment in 6M 2024 amounted to EUR 5.6 million, down from the EUR 9.0 million seen in 6M 2023. The previous year's figure included investments in the expansion of the Terafactory in Meiningen.

Capital expenditures for intangible assets of EUR 25.4 million in 6M 2024 increased from EUR 22.8 million in 6M 2023. This total consists of capitalized development projects of EUR 20.5 million in 6M 2024 after EUR 21.5 million in 6M 2023 and capital expenditures for other intangible assets of EUR 5.0 million in 6M 2024 after EUR 1.3 million in 6M 2023. The investments in other intangible assets in the prior year period included in particular the capitalization of a joint development.

On June 4, 2024, Adtran Networks SE issued a loan to Adtran, Inc. After taking into account the interest accrued up to the end of the quarter and deducting the pro rata upfront fees, arrangement fees and legal fees charged on by Adtran, Inc. that were incurred as part of a joint credit agreement with Wells Fargo, the carrying amount of the loan on June 30, 2024 was EUR 15.5 million. Further information on the loan can be found in note (13) in the notes section of this report.

Cash flow

(in millions of EUR)	6M 2024	Portion of cash	6M 2023	Portion of cash
Operating cash flow	35.8	86.3 %	21.3	43.8 %
Investing cash flow	(39.4)	(95.1)%	(31.7)	(65.2)%
Financing cash flow	14.6	35.2 %	1.7	3.5 %
Net effect of foreign currency translation on cash and cash equivalents	—	(0.1)%	(1.1)	(2.4)%
Net change in cash and cash equivalents	10.9	26.3 %	(9.8)	(20.3)%
Cash and cash equivalents at the beginning of the period	30.6	73.7 %	58.4	120.3 %
Cash and cash equivalents at the end of the period	41.5	100.0 %	48.6	100.0 %

Cash flow from operating activities was positive EUR 35.8 million in 6M 2024, after positive EUR 21.3 million in 6M 2023. The significant improvement in 6M 2024 is in particular due to high cash inflows from net working capital compared with the corresponding prior-year period.

Cash flow from investing activities amounted to negative EUR 39.4 million in 6M 2024 after negative EUR 31.7 million in 6M 2023. The increased use of funds for investing activities is largely due to the grant of a loan to Adtran, Inc. as described in the capital expenditure section above..

Finally, net cash inflows of EUR 14.6 million were reported from financing activities in 6M 2024, after cash inflows of EUR 1.7 million from financing activities in 6M 2023. In 6M 2024, the cash inflow results in particular from from taking out a new loan. The funds received from this loan were partially used to fully repay the loan to Adtran Holdings, Inc.

Overall, including the net effect of foreign currency translation of close to nil, cash and cash equivalents increased by EUR 10.9 million, from EUR 30.6 million at the end of December 2023 to EUR 41.5 million on June 30, 2024. In 6M 2023, cash and cash equivalents had decreased by EUR 9.8 million.

With the exception of local currency regulations for cash and cash equivalents in China amounting to EUR 3.4 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 17.3 million to EUR 114.1 million at the end of 6M 2024. Liabilities to banks increased significantly from EUR 13.3 million to EUR 86.3 million. As from Q2 2024, Adtran Networks group has been financed by a joint loan agreement (Senior Secured Credit Facility) together with Adtran Holdings, Inc. at Wells Fargo Bank. On June 30, 2024, this resulted in a financial liability of EUR 70.1 thousand. As described in the cash flow section, the funds received from this loan were used to fully repay the loan provided by Adtran Holdings, Inc. Further information on financial liabilities can be found in note (15) to the consolidated financial statements. The current portion of liabilities from leasing increased by EUR 0.1 million to EUR 5.6 million while the non-current liabilities from leasing decreased by EUR 3.0 million to EUR 22.2 million.

On June 30, 2024, the group had utilized a committed borrowing facilities of USD 100.0 million in the amount of USD 75.0 million (on December 31, 2023: no committed borrowing facilities).

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 improved from EUR 42.4 million at the end of 2023 to EUR 33.2 million in 6M 2024. Cash and cash equivalents on June 30, 2024, and on December 31, 2023 were invested mainly in EUR, USD and GBP.

At the end of June 2024 return on capital employed for the rolling twelve months period was at negative 3.1 %, down from the positive 3.0 % reported in 12M 2023. This development is mainly due to the declining operating result in 6M 2024.

Summary: Net assets and financial position

At the end of 6M 2024 cash and cash equivalents increased, which contributed to a decrease in net debt. Adtran Networks net assets and financial position remain strong. The equity ratio further slightly decreased to 55.7 % on June 30, 2024 compared to 57.5 % at the end of 2023.

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, 2024, or the group's and the company's financial performance for 6M 2024. 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 2023 remain unchanged.

Outlook

For Q2 2024 Adtran Networks was able to reported results which were within the expectations despite the continuing difficult market environment. Revenue for Q2 2024 decreased by 36.4 % to EUR 108.2 million compared to EUR 170.2 million in Q2 2023. 6M 2024 revenues were EUR 217.8 million down by 37.7 % compared to EUR 349.5 million in the 6M 2023 period. The pro forma EBIT margin in Q2 2024 decreased to negative 2.3 % compared to positive 7.1 % in Q2 2023. Cash increased from EUR 32.9 million in Q1 2024 to EUR 41.5 million in Q2 2024. The increase is mainly due to a new loan agreement.

The management board expects demand to remain weak in the second half of 2024, especially for optical transmission technology. Global supply chains are largely intact again and Adtran Networks' ability to deliver has normalized due to increasingly local value creation. As a result, many customers no longer see the need to place their orders early. Instead, they are continuing to optimize their inventories and are exercising restraint with regard to debt-financed investments due to the still relatively restrictive interest rate policy of the central banks. This is having a negative impact on incoming orders.

Management expects this trend to continue in the third quarter and to improve again in the fourth quarter at the earliest. Nevertheless, the longer-term macroeconomic environment remains positive for Adtran Networks. The expansion of the communications network infrastructure continues unabated, albeit temporarily slowing down in some areas. The expansion of data centers, the growing importance of artificial intelligence, global initiatives to promote broadband expansion and the digital transformation of the private sector and public authorities and increased security awareness require significant investment in network expansion and digital infrastructure.

With the strategic decisions made in recent years, Adtran Networks has made comprehensive technological preparations for this 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 is also delivering increasing added value. In addition, new opportunities to gain market share are emerging, particularly in Europe. The now openly communicated skepticism towards Chinese network equipment suppliers, in particular Huawei, and the planned takeover of Infinera by Nokia are reducing the number of potent network equipment suppliers for creating a future based on fiber optics.

Six-month IFRS consolidated financial statements

Consolidated statements of financial position as of June 30, 2024 (unaudited)

(in thousands of EUR)	Note	Jun. 30, 2024	Dec. 31, 2023
Assets			
Current assets			
Cash and cash equivalents	(5)	41,476	30,554
Trade accounts receivable	(6)	99,452	115,615
<i>Thereof receivables from Adtran Holdings, Inc. and its subsidiaries</i>	(32)	4,519	980
Receivables from Adtran Holdings, Inc. due to loss absorption		23,934	23,934
Contract assets	(8)	146	340
Inventories	(7)	90,340	106,273
Tax assets		5,501	2,995
Other current assets	(9)	85,212	78,166
Total current assets		346,061	357,877
Non-current assets			
Right-of-use assets	(10)	25,189	28,269
Property, plant and equipment	(11)	37,310	39,911
Goodwill		66,628	64,899
Capitalized development projects	(12)	105,720	104,555
Intangible assets acquired in business combinations	(12)	4,707	5,241
Other purchased and internally generated intangible assets	(12)	27,504	22,006
Loans granted to Adtran, Inc.	(13)	15,540	—
Deferred tax asset		28,249	11,743
Other non-current assets	(9)	25,789	23,320
Total non-current assets		336,636	299,944
Total assets		682,697	657,821

(in thousands of EUR)

Note Jun. 30, 2024 Dec. 31, 2023

Equity and liabilities**Current liabilities**

Current lease liabilities	(14)	5,623	5,558
Current liabilities to banks	(15)	16,229	13,286
Trade accounts payable	(16)	34,422	43,123
<i>Thereof payables to Adtran Holdings, Inc. and its subsidiaries</i>	(32)	2,473	1,382
Current provisions	(17)	16,714	18,430
Tax liabilities		1,579	2,173
Current contract liabilities and advance payments	(18)	31,175	25,298
Refund liabilities	(18)	284	612
Other current liabilities	(16)	41,787	37,054
Total current liabilities		147,813	145,534

Non-current liabilities

Non-current lease liabilities	(14)	22,236	25,270
Non-current liabilities to banks	(15)	70,061	—
Non-current financial liabilities to Adtran Holdings, Inc.	(32)	—	52,773
Provisions for pensions and similar employee benefits	(17)	7,216	6,734
Other non-current provisions	(17)	1,853	1,859
Deferred tax liabilities		14,525	12,218
Non-current contract liabilities	(18)	15,086	13,031
Other non-current liabilities	(16)	23,791	22,412
Total non-current liabilities		154,768	134,297
Total liabilities		302,581	279,831

Stockholders' equity entitled to the owners of the parent company

	(19)		
Share capital		52,055	52,055
Capital reserve		336,084	335,352
Accumulated deficit		(7,564)	6,950
Net income		(2,034)	(14,514)
Accumulated other comprehensive income		1,575	(1,853)
Total stockholders' equity		380,116	377,990
Total equity and liabilities		682,697	657,821

Consolidated income statements for the period from January 1 to June 30, 2024 (unaudited)

(in thousands of EUR, except earnings per share and number of shares)

	Note	Q2 2024	Q2 2023	6M 2024	6M 2023
Revenues	(20)	108,165	170,188	217,771	349,546
Cost of goods sold		(70,230)	(110,484)	(141,090)	(231,978)
Gross profit		37,935	59,704	76,681	117,568
Selling and marketing expenses	(21)	(15,284)	(16,951)	(30,476)	(35,357)
<i>Thereof net impairment results on financial assets</i>		(133)	(65)	(126)	(19)
General and administrative expenses	(21)	(7,192)	(10,519)	(15,062)	(18,779)
Research and development expenses	(21)	(25,458)	(28,164)	(53,772)	(54,997)
Other operating income	(22)	4,746	4,002	8,707	5,906
Other operating expenses	(22)	(88)	(40)	(267)	(81)
Operating income		(5,341)	8,033	(14,189)	14,260
Interest income	(23)	157	84	268	148
Interest expenses	(23)	(1,320)	(916)	(1,992)	(1,777)
Foreign currency exchange gains	(24)	1,913	3,502	3,883	9,463
Foreign currency exchange losses	(24)	(2,617)	(4,544)	(3,989)	(12,257)
Other financial gains	(24)	—	—	—	—
Other financial losses	(24)	—	—	—	—
Income before tax		(7,208)	6,157	(16,019)	9,836
Income tax benefit (expense), net	(25)	6,382	(2,870)	13,985	(2,921)
Net income entitled to the owners of the parent company		(826)	3,288	(2,034)	6,915
Earnings per share in EUR					
basic		(0.02)	0.06	(0.04)	0.13
diluted		(0.02)	0.06	(0.04)	0.13
Weighted average number of shares for calculation of earnings per share					
basic		52,054,500	52,008,132	52,054,500	52,006,326
diluted		52,054,500	52,050,055	52,054,500	52,048,249

Consolidated statements of comprehensive income (unaudited)

(in thousands of EUR)	Note	Q2 2024	Q2 2023	6M 2024	6M 2023
Net income entitled to the owners of the parent company		(826)	3,288	(2,034)	6,915
<i>Items that may be reclassified to profit or loss in future periods</i>					
Exchange differences on translation of foreign operations		1,262	514	3,428	(1,603)
<i>Items that will not get reclassified to profit or loss in future periods</i>					
Remeasurement of defined benefit plans		—	—	—	—
Comprehensive income entitled to the owners of the parent company		436	3,802	1,394	5,312

Consolidated cash flow statements (unaudited)

(in thousands of EUR)	Note	Q2 2024	Q2 2023	6M 2024	6M 2023
Cash flow from operating activities					
Income before tax		(7,208)	6,158	(16,019)	9,836
Adjustments to reconcile income before tax to net cash provided by operating activities					
Non-cash adjustments					
Amortization of non-current assets		15,189	15,985	30,930	31,877
Loss from disposal of property, plant and equipment and intangible assets		26	190	154	196
Stock compensation expenses		1,456	1,433	2,791	2,407
Other non-cash income and expenses		327	275	660	623
Foreign currency exchange differences		835	(160)	1,383	223
Changes in asset and liabilities					
Decrease (increase) in trade accounts receivable		(3,449)	10,782	9,566	7,741
Decrease (increase) in inventories		6,960	8,054	15,933	9,438
Decrease (increase) in other assets		8,840	(2,947)	(9,620)	(4,917)
Increase (decrease) in trade accounts payable		(6,535)	(19,658)	(9,792)	(26,573)
Increase (decrease) in provisions		(518)	(1,960)	(1,762)	(1,264)
Increase (decrease) in other liabilities		1,507	(7,636)	14,359	(6,885)
Income tax paid and refunded		(1,119)	(973)	(2,768)	(1,383)
Net cash provided by operating activities		16,311	9,543	35,815	21,319

Cash flow from investing activities

Investments in property plant and equipment	(11)	(2,365)	(5,055)	(5,554)	(9,013)
Investments in intangible assets	(12)	(12,694)	(11,054)	(25,429)	(22,829)
Investments in loans granted	(13)	(15,345)	—	(15,345)	—
Cash receipts from sale of debt instruments of other entities		4,087	—	6,791	—
Interest received		1	82	105	145
Net cash used in investing activities		(26,316)	(16,027)	(39,432)	(31,697)

Cash flow from financing activities

Proceeds from capital increase and exercise of stock options	(19)	—	97	—	97
Repayment of lease liabilities	(14)	(1,334)	(1,557)	(2,890)	(3,228)
Increase in financial liabilities to Adtran Holdings, Inc.	(15)	—	—	—	64,617
Cash repayment of financial liabilities to Adtran Holdings, Inc.	(15)	(53,034)	(9,278)	(53,034)	(11,611)
Proceeds from liabilities to banks	(15)	69,176	—	69,176	10,000
Cash repayment of liabilities to bank	(15)	—	—	—	(56,500)
Increase (decrease) in financial liabilities from factoring agreements	(15)	4,518	—	2,943	—
Interest paid		(703)	(1,274)	(1,611)	(1,698)
Net cash used in financing activities		18,623	(12,012)	14,584	1,677
Net effect of foreign currency translation on cash and cash equivalents		(85)	(150)	(45)	(1,151)
Net change in cash and cash equivalents		8,533	(18,646)	10,922	(9,852)
Cash and cash equivalents at the beginning of the period		32,943	67,241	30,554	58,447
Cash and cash equivalents at the end of the period		41,476	48,595	41,476	48,595

Consolidated statement of changes in stockholders' equity

(in thousands of EUR, except number of shares)	Share capital			Net income (loss) and accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity entitled to the owners of the parent company
	Number of shares	Par value	Capital reserve			
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
Profit transfer/loss absorption by Adtran Holdings, Inc.	—	—	—	—	—	—
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
Balance on January 1, 2024	52,054,500	52,055	335,352	(7,564)	(1,853)	377,990
Capital increase, including exercise of stock options	—	—	—	—	—	—
Stock options outstanding	—	—	732	—	—	732
Profit transfer/loss absorption by Adtran Holdings, Inc.	—	—	—	—	—	—
Net income	—	—	—	(2,034)	—	(2,034)
Exchange differences on translation of foreign operations	—	—	—	—	3,428	3,428
Remeasurement of defined benefit plans	—	—	—	—	—	—
Comprehensive income	—	—	—	(2,034)	3,428	1,394
Balance on June 30, 2024	52,054,500	52,055	336,084	(9,598)	1,575	380,116

Details on changes in stockholders' equity are presented in note (19).

Notes to the condensed interim financial statements (unaudited)

(1) Information about the company and the group

Adtran Networks SE (hereinafter also referred to as the “company” or “Adtran Networks SE”) 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, 2024, 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, 2023.

The condensed interim consolidated financial statements for the period ended June 30, 2024, have neither been subject to audit nor to a limited review by the group auditor KPMG AG Wirtschaftsprüfungsgesellschaft, Munich.

The condensed interim consolidated financial statements are presented in EUR. Unless otherwise stated, all amounts quoted are in thousands of EUR. The balance sheet is broken down into current and non-current assets and liabilities. The classification of income and expenses in the income statement is based on their function within the entity. Where items on the 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, 2024, cannot be extrapolated to the result of the full year 2024.

(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, 2023 will be continued unchanged.

Standards, amendments and interpretations applicable for the first time in 2024

In 2024, following standards and interpretations have been adopted for the first time.

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	none
Amendments to IAS 1	Classification of liabilities as current or non-current and non-current liabilities with covenants	Jan. 1, 2024	potential additional disclosures
Amendments to IFRS 16	Lease liabilities in a sale and leaseback agreement	Jan. 1, 2024	none

New accounting requirements not yet applicable for first-time adoption in 2024

The IASB and the IFRIC have issued further Standards and Interpretations in 2024 and previous years that were either not applicable for the financial year 2024 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 21	Lack of exchangeability - Disclosure of additional information on the use of an estimated exchange rates	Jan. 1, 2025	none

* 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 (17).

Share-based compensation transactions

The group measures the cost of share-based compensation instruments for employees by reference to the fair value of the 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 share-based compensation 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 (31) 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 (17).

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 (25) 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, 2024, cash of EUR 3,404 thousand (December 31, 2023: EUR 2,545 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, 2024	Dec. 31, 2023
Gross trade accounts receivable	98,604	119,102
Allowance for expected credit losses	(3,672)	(3,487)
Net trade accounts receivable	94,932	115,615

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 2024	6M 2023
Jan. 1	3,487	3,896
Increase of risk provision	65	—
Release of risk provision	—	(19)
Addition of specific allowances	61	—
Usage	—	—
Foreign currency translation effects	59	(51)
Jun. 30	3,672	3,826

In Q4 2023, the group transitioned from a pre-existing factoring agreement to a joint receivable purchase and servicing agreement together with Adtran, Inc. as an additional seller. The new agreement results in the requirement to consolidate a special purpose entity which includes the sold trade receivables as well a financial liability.

(7) Inventories

In 6M 2024, impairment of inventories amounting to EUR 3,474 thousand (6M 2023: EUR 7,086 thousand) was recognized as an expense within cost of goods sold. This amount includes reversals of earlier write-downs amounting to EUR 1,775 thousand (6M 2023: EUR 932 thousand) due to higher selling and input prices.

In 6M 2024 and 6M 2023, material costs of EUR 82,625 thousand and EUR 176,129 thousand, respectively, have been recognized.

(8) Contract assets

Contract assets amounting to EUR 146 thousand (prior year: EUR 340 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, 2024	Dec. 31, 2023
Non-financial assets		
Advance payments to contract manufacturers	45,413	49,489
Prepaid expenses	6,714	4,090
Receivables due from tax authorities	4,394	2,682
Receivables related to warranty services	1,417	1,506
Other	752	778
Total current non-financial assets	58,690	58,543
Financial assets		
Receivables from Adtran Holdings, Inc. from loss absorption	23,934	23,934
Government grant allowances for research projects	25,478	18,854
Positive fair values of derivative financial instruments	83	5
Reserves relating to a revolving factoring agreement	—	159
Other	960	605
Total current financial assets	50,456	43,557
Total current assets	109,146	102,100

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, 2024	Dec. 31, 2023
Financial assets		
Investments	0	0
Government grant allowances for research projects	23,919	21,411
Rent deposits	1,799	1,768
Other	70	141
Total non-current assets	25,789	23,320

The fair value of the investment of 7.1 % (previous year: 7.1 %) of the shares in Saguna Networks Ltd., Neshet, Israel, amounted to zero on June 30, 2024. A review of the fair value at year-end did not indicate any write-up.

On June 30, 2024, government grants for 25 research projects are recognized (December 31, 2023: 23 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, 2024 and December 31, 2023, 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, 2024	Dec. 31, 2023
Leased cars	1,873	4,096
Leased premises	23,315	44,420
Total right-of-use assets	25,189	48,517

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 2024, depreciation of EUR 473 thousand (6M 2023: EUR 408 thousand) for vehicles and EUR 2,363 thousand for office and building rentals are included in operating profit (6M 2023: EUR 2,858 thousand).

An amount of EUR 410 thousand, which mainly relates to short-term leases continues to be recognized in operating profit (6M 2023: EUR 475 thousand). In addition, variable lease payments of EUR 1,465 thousand were not included in the measurement of lease liabilities and are also recognized in operating profit (6M 2023: EUR 1,605 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 2024 impairment losses of EUR 387 thousand were recognized on right-of-use assets (6M 2023: no impairment).

(11) Property, plant and equipment

Property, plant and equipment can be analyzed as follows:

(in thousands of EUR)	Jun. 30, 2024	Dec. 31, 2023
Land and buildings	13,305	13,035
Technical equipment and machinery	20,359	21,864
Factory and office equipment	2,841	3,001
Assets under construction	805	2,011
Total property, plant and equipment	37,310	39,911

In 6M 2024 and 6M 2023, there were neither impairments nor write-backs of property, plant and equipment impaired in prior years.

In 6M 2024, the group has not received any cash payments for government grants related to purchases (6M 2023: none). Based on grant notifications no historical costs have been deducted in 6M 2024 (6M 2023: 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, synchronization technology and network management software.

In 6M 2024, borrowing costs of EUR 590 thousand (6M 2023: EUR 556 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 3,76 % (prior year: 3.8 %).

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

(in thousands of EUR)	Jun. 30, 2024	Dec. 31, 2023
Purchased customer relationships Overture	—	29
Purchased customer relationship MRV	4,707	5,211
Total intangible assets acquired in business combinations	4,707	5,241

Amortization of intangible assets with a finite useful life comprises:

(in thousands of EUR)	Q2 2024	Q2 2023	6M 2024	6M 2023
Capitalized development projects	9,426	9,828	19,288	19,081
Intangible assets acquired in business combinations	335	882	696	1,776
Other intangible assets	387	244	696	546
Total amortization of intangible assets	10,149	10,954	20,680	21,403

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

(in thousands of EUR)	Q2 2024	Q2 2023	6M 2024	6M 2023
Purchased technology MRV	—	373	—	750
Purchased customer relationships Overture	—	179	30	360
Purchased customer relationships MRV	334	330	666	666
Total amortization of intangible assets acquired in business combinations	334	882	696	1,776

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 2024 and 6M 2023 no impairment of intangible assets with finite useful economic lives was recognized.

(13) Loans granted

On June 4, 2024, Adtran Networks SE granted a loan to Adtran, Inc. amounting to USD 17,121 thousand. The loan matures latest on July 18, 2027 and bears interest of 3M Term SOFR + 1.0 % margin set at the beginning of each quarter (for Q2 2024: 6.34 % p.a.). After taking into account the interest accrued up to the end of the quarter and deducting the upfront fees, arrangement fees and legal fees charged on by Adtran, Inc. as part of a joint loan agreement with Wells Fargo, the carrying amount of the loan on June 30, 2024 was EUR 15,540 thousand (USD 16,636 thousand).

(14) Lease liabilities

Variable lease payments of EUR 1.465 thousand have not been included in the measurement of lease liabilities and were recognized in profit and loss (6M 2023: EUR 1,605 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 709 thousand is included in the financial result (6M 2023: EUR 306 thousand).

The maturity of lease liabilities is as follows:

(in thousands of EUR)	Jun. 30, 2024	Dec. 31, 2023
Up to 1 year	5,623	5,558
One to three years	10,090	10,141
More than three years	12,146	15,128
	27,859	30,827

(15) Financial liabilities

On June 4, 2024, Adtran Networks as additional debtor entered into a loan agreement (Senior Secured Credit Facility) of Adtran Holdings, Inc. with Wells Fargo Bank and other lenders. This 4th amendment to the previously existing agreement allows for a USD 100,000 thousand subline available for borrowings by Adtran Networks SE (the "subline"). At June 30, 2024, Adtran Networks SE has drawn USD 75,000 thousand out of this agreement. The loan matures on July 18, 2027 and can be repaid fully or in part at any time. As early repayment cannot be demanded by the lender, it is reported as non-current financial liability. At June 30, 2024, the variable interest rate for the loan amounts to 8.56 % p.a. Interest expenses of EUR 450 thousand (USD 482 thousand) were accrued for the period from June 4, 2024 to the end of the current quarter. Moreover, Adtran Networks has paid upfront fees, arrangement fees and legal fees totaling EUR 520 thousand (USD 563 thousand) in connection with the closing of the Senior Secured Credit Facility. The fees will be expenses straight-line over the term of the underlying loan contract.

At June 30, 2024, the fair value of the Wells Fargo loan is equal to the carrying amount of EUR 70,061 thousand.

At the same time, Adtran Networks fully repaid a financial liability to Adtran Holdings, Inc. amounting to USD 57,500 thousand on June 4, 2024.

In December 2023, Adtran Networks concluded a new factoring agreement. At June 30, 2024 this agreement resulted in the recognition of a current financial liability of EUR 16,229 thousand (prior year-end: EUR 13,286 thousand).

(16) 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, 2024	Dec. 31, 2023
Non-financial liabilities		
Liabilities to employees for variable compensation and payroll	4,365	6,274
Liabilities to employees for vacation	4,167	1,995
Liabilities due to withheld wage income tax and social security contribution	4,908	4,612
Liabilities due to tax authorities	2,398	3,606
Obligations from subsidized research projects	23,966	18,719
Total current non-financial liabilities	39,804	35,206
Financial liabilities		
Negative fair value of derivatives	75	507
Other	1,908	1,340
Total current financial liabilities	1,983	1,848
Total current liabilities	41,787	37,054

Other non-current liabilities include:

(in thousands of EUR)	Jun. 30, 2024	Dec. 31, 2023
Non-financial liabilities		
Obligations from subsidized research projects	22,924	21,534
Other	18	17
Total non-current non-financial liabilities	22,941	21,551
Financial liabilities		
Other	850	860
Total non-current financial liabilities	850	860
Total non-current liabilities	23,791	22,411

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, 2024. The classification is in line with the disclosure in the group's annual financial statements per December 31, 2023.

(17) 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, 2023.

Other provisions are as follows:

(in thousands of EUR)	Jun. 30, 2024	Dec. 31, 2023
Current provisions		
Warranty provision	384	386
Personnel provisions	2,968	4,583
Consulting fees	1,069	873
Supplier obligations	10,937	11,099
Other short-term provisions	1,357	1,489
Total current provisions	16,714	18,430
Non-current provisions		
Warranty provision	1,796	1,802
Non-current personnel provisions	—	—
Other long-term provisions	57	57
Total non-current provisions	1,853	1,859
Total provisions	18,568	20,288

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 severance payments, variable compensation payments, expenses for employee's accident insurance and other expenses resulting from legal requirements. At year-end 2023, variable compensation payments were included in other liabilities.

Other current provisions primarily include provisions for outstanding invoices of uncertain amount and timing.

From the 2023, the reversals of provisions from previous years are reported in the respective operating costs. Other operating income only includes reversals of provisions from special items (see note (22)).

(18) Contract liabilities and refund liabilities

Contract and refund liabilities are as follows:

(in thousands of EUR)	Jun. 30, 2024	Dec. 31, 2023
Current contract liabilities		
Advance payments received	883	1,004
Current contract liabilities related to customer loyalty programs	487	908
Current deferred revenues related to service level agreements	29,805	23,387
Total current contract liabilities	31,175	25,299
Current refund liabilities	284	612
Total refund liabilities	284	612
Non-current contract liabilities		
Non-current deferred revenues related to service level agreements	15,086	13,031
Total non-current contract liabilities	15,086	13,031
Total contract liabilities	46,544	38,942

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 19,745 thousand (previous year: EUR 13,715 thousand).

Management expects that 66 % of the outstanding or partially outstanding benefit obligations as of June 30, 2024, will be recognized as revenue within the next twelve months. The remaining 34 % is expected to be recognized as sales after twelve months in financial year 2025 and later. The amount stated does not include variable compensation components which are limited.

(19) Stockholders' equity

On June 30, 2024 the share capital amounts to EUR 52,054,500 (on December 31, 2023: EUR 52,054,500).

In 6M 2024, no shares were issued to employees and management board of the company and its group companies from exercise of stock options.

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 2024 and the prior-year period result from translation effects. Remeasurement of defined benefit plans is regularly done at year-end. In 6M 2024 and 6M 2023 no items were reclassified (recycled) from comprehensive income to profit or loss.

The authorized capital 2019/I expired on May 21, 2024. In the annual shareholder's meeting on June 28, 2024, a new authorized capital 2024/I in the amount of EUR 26,027 thousand was approved. The conditional capital 2011/I remains unchanged at EUR 3,491 thousand on June 30, 2024.

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

(in thousands of EUR)	Share capital	Authorized capital 2019/I	Authorized capital 2024/I	Conditional capital 2011/I
Jan. 1, 2024	52,055	24,965	—	3,491
Changes due to Annual Shareholders' Meeting resolutions	—	—	26,027	—
Expired at the end of the approval period	—	(24,965)	—	—
Stock options exercised	—	—	—	—
June 30, 2024	52,055	—	26,027	3,491

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

(20) Revenues

In 6M 2024 and 6M 2023, revenues included EUR 49,402 thousand and EUR 48,278 thousand for services, respectively. The remaining revenues relate mainly to product sales.

In 6M 2024, revenues related to customer loyalty programs amounting to EUR 625 thousand have been recognized (6M 2023: EUR 252 thousand).

In 6M 2024, revenues amounting to EUR 178,155 thousand (prior year: EUR 316,583 thousand) relate to performance obligations that were performed at a specific point in time, and revenues of EUR 39,740 thousand (6M 2023: EUR 32,963 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 (28).

(21) 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.

(22) Other operating income and expenses

Other operating income and expenses are as follows:

(in thousands of EUR)	Q2 2024	Q2 2023	6M 2024	6M 2023
Other operating income				
Government grants received	1,986	847	3,775	1,420
Release of provisions	—	1,962	—	1,962
Income from the provision of services to Adtran Holdings, Inc. and its subsidiaries	2,605	—	4,710	—
Income for the supply of development services	124	145	124	145
Supplier revenues	—	886	—	2,108
Other	31	161	98	271
Total other operating income	4,746	4,002	8,707	5,906
Other operating expenses				
Reduction of outstanding credit notes	(8)	—	(129)	—
Derecognition of trade accounts receivable	—	(15)	—	(15)
Other	(80)	(26)	(138)	(66)
Total other operating expenses	(88)	(41)	(267)	(81)
Other operating income and expenses, net	4,658	3,962	8,440	5,825

The release of provisions is reported in operating costs since 2023. In 2023, the release of provisions included in other operating income mainly relates to provisions for legal cases that were recognized as part of previous business combinations.

Details on income from the provision of services to Adtran Holdings, Inc. and its subsidiaries are provided in note (32).

(23) Interest income and expenses

Interest income primarily includes interest from daily bank deposits as well as from other short-term deposits with maturities between one day and three months. Moreover, interest related to loans granted to Adtran, Inc. amounting to EUR 73 thousand (USD 78 thousand) are included in interest income.

Interest expenses are primarily incurred on liabilities to banks 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), (13), (14) and (15).

(24) Other financial gains and losses

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

(in thousands of EUR)	Q2 2024	Q2 2023	6M 2024	6M 2023
Foreign currency exchange gains	1,913	3,501	3,883	9,462
<i>Thereof: gains from forward rate agreements</i>	133	16	403	65
Foreign currency exchange losses	(2,617)	(4,544)	(3,989)	(12,256)
<i>Thereof: losses from forward rate agreements</i>	(95)	(401)	(114)	(894)
Total other financial gains and losses, net	(704)	(1,043)	(106)	(2,794)

(25) Income tax

The tax expenses in 6M 2024 and 6M 2023 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. Tax income of EUR 13,985 thousand in the current reporting period is largely driven by the recognition of deferred tax assets on loss carryforwards (6M 2023: tax expense of EUR 2,921 thousand).

(26) Restructuring expenses

In 6M 2024, restructuring expenses amounting to EUR 4,464 thousand have been recognized (6M 2023: EUR 3,000 thousand), mainly related to severance agreements with employees.

(27) 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	Financial liabilities to Adtran Holdings, Inc.	Total liabilities from financing activities
Jan. 1, 2023	21,202	56,430	—	77,632
Increase/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
Jan. 1, 2024	30,828	13,286	52,773	96,887
Increase/repayments	(3,235)	72,119	(53,034)	15,850
Non-cash changes	(79)	—	—	(79)
Foreign currency exchange effects	345	885	261	1,491
Jun. 30, 2024	27,859	86,290	—	114,149

Actual interest payments for liabilities to banks amounting to EUR 54 thousand (6M 2023: EUR 437 thousand), interest payments for financial liabilities to Adtran Holdings, Inc. amounting to EUR 848 thousand (6M 2023: EUR 955 thousand) and interest related to lease liabilities of EUR 709 thousand (6M 2023: EUR 306 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).

(28) 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, 2024 presents as follows:

(in thousands of EUR)	Pro forma financial information	Intangible assets from acquisitions	Goodwill	Compensation expenses	transactions and restructuring measures	Disclosure of R&D expenses	Consolidated financial information
Revenues	217,771	—	—	—	—	—	217,771
Cost of goods sold	(139,854)	—	—	(328)	(908)	—	(141,090)
Gross profit	77,917	—	—	(328)	(908)	—	76,681
Gross margin	35.8 %						35.2 %
Selling and marketing expenses	(28,683)	(696)	—	(436)	(661)	—	(30,476)
General and administrative expenses	(13,514)	—	—	(849)	(699)	—	(15,062)
Research and development expenses	(70,636)	—	—	(1,178)	(2,412)	20,454	(53,772)
Income from capitalization of development expenses	20,454	—	—	—	—	(20,454)	—
Other operating income	8,707	—	—	—	—	—	8,707
Other operating expenses	(129)	—	—	—	(138)	—	(267)
Operating income	(5,884)	(696)	—	(2,791)	(4,818)	—	(14,189)
Operating margin	(2.7)%						(6.5)%
Segment assets	611,362	4,707	66,628	—	—	—	682,697

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	transactions and restructuring measures	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

Additional information by geographical regions:

(in thousands of EUR)	Q2 2024	Q2 2023	6M 2024	6M 2023
Revenues				
Germany	11,919	41,903	28,962	91,143
Rest of Europe, Middle East and Africa	37,556	56,782	82,117	112,188
Americas	46,324	57,594	79,244	119,561
Asia-Pacific	12,366	13,910	27,448	26,655
Total revenues	108,165	170,190	217,771	349,547

(in thousands of EUR)	Jun. 30, 2024	Dec. 31, 2023
Non-current assets		
Germany	172,137	168,232
Rest of Europe, Middle East and Africa	21,078	21,452
Americas	70,471	72,001
Asia-Pacific	3,372	3,196
Total non-current assets for segment reporting	267,058	264,881

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

In 6M 2024, revenues with two major customers exceeded 10 % of total revenues (6M 2023: two major customers). In 6M 2024, the share of revenues allocated to major customers was EUR 51,802 thousand (6M 2023: EUR 89,564 thousand); thereof revenue with the biggest customer was EUR 29,916 thousand (6M 2023: EUR 46,461 thousand) and with the second biggest customer was EUR 21,886 thousand (prior year: EUR 43,103 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.

(29) Other financial obligations and financial commitments

On June 30, 2024, the group had purchase commitments totaling EUR 61,614 thousand (on December 31, 2023: EUR 46.341 thousand) in respect to suppliers. In addition, the group had license fee obligations in the amount of EUR 3,417 thousand as of June 30, 2024 (December 31, 2023: EUR 7.843 thousand).

Group entities have issued guarantees in favor of customers. On June 30, 2024, performance bonds with a maximum guaranteed amount of EUR 232 thousand were issued (on December 31, 2023: EUR 231). Based on experience from prior periods, Adtran Networks does not expect claims from these guarantees at the end of 6M 2024.

The Senior Secured Credit Facility described in note (15) requires that Adtran Networks SE's material subsidiaries provide a guarantee solely for the borrowings by Adtran Networks SE ("subline"). In addition, Adtran Networks SE and its material subsidiaries are required to grant security interests in favor of Wells Fargo Bank over substantially all of their tangible and intangible assets pursuant to applicable security agreements, solely to secure the obligations in respect of the subline.

(30) 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, 2024, 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.

(31) Stock option programs

In 6M 2024, Adtran Holdings, Inc. granted Restricted stock units (RSU) and Performance stock units (PSU) to employees of Adtran Networks as well as members of the Adtran Networks SE management board.

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

	Plan XIV	Plan ESP 15	RSU	PSU
Share-based payment instruments outstanding on Jan. 1, 2023	81,000	1,123,763	—	—
Granted instruments *	—	624,410	162,918	227,334
Exercised instruments	(50,000)	(8,427)	—	—
Forfeited instruments	(12,500)	(81,113)	(8,940)	(18,800)
Expired instruments	(1,000)	(28,579)	—	—
Share-based payment instruments outstanding on Dec. 31, 2023	17,500	1,630,054	153,978	208,534
Granted instruments	—	—	280,380	67,898
Exercised instruments	—	—	(33,671)	—
Forfeited instruments	—	(68,844)	(11,967)	(9,500)
Expired instruments	—	(63,470)	—	—
Share-based payment instruments outstanding on June 30, 2024	17,500	1,497,740	388,720	266,932
Of which exercisable	—	529,341	2,027	—

* In 6M 2024, a correction was made to the RSUs granted in 2023 due to a corrected location assignment of an employee.

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 active and former members of the management board is as follows:

	ESP 15	RSU	Number of annual PSU	Number of 3-year plan PSU	Number of integration bonus PSU
Share-based payment instruments outstanding on Jan. 1, 2023	834,138	349,282	97,991	—	—
Addition Thomas R. Stanton*	263,780	—	—	—	—
Granted instruments	—	103,703	81,916	192,656	69,933
Exercised instruments	(15,000)	(87,049)	—	—	—
Forfeited instruments**	(232,007)	—	—	—	—
Expired instruments	(78,817)	—	—	—	—
Share-based payment instruments outstanding on Dec. 31, 2023	772,094	365,936	179,907	192,656	69,933
Granted instruments	—	155,323	122,834	72,246	—
Exercised instruments	(35,994)	(25,925)	—	—	—
Forfeited instruments	—	—	—	—	—
Expired instruments	(127,440)	—	—	—	—
Share-based payment instruments outstanding on June 30, 2024	608,660	495,334	302,741	264,902	69,933
Of which exercisable	229,634	—	—	—	—

* The addition of options for Thomas R. Stanton relates to instruments that were already issued from this plan in previous years.

** The forfeited options relate to a former member of the management board who left the company in 2022.

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

(in thousands of EUR)	Q2 2024	Q2 2023	6M 2024	6M 2023
Plan XIV	248	278	463	473
Plan XVIa *)	22	22	44	(190)
RSU	398	151	660	283
PSU	47	10	89	15
ESP 15	614	532	858	1,064
RSU management board	54	4	78	4
PSU management board	66	11	129	11
ESP 15 management board	7	373	470	747
Total	1,457	1,381	2,791	2,407

*) The expenses for plan XVIa relate to subsequent IFRS expenses due to the conversion of an Adtran Networks plan from previous periods from cash-settled to equity-settled.

(32) Related party transactions

Adtran Holdings, Inc. and its subsidiaries qualify as related parties to Adtran Networks SE and its subsidiaries on June 30, 2024, in the sense of IAS 24. On June 30, 2024, Adtran Holdings, Inc. held a 65.37 % share in the equity of Adtran Networks SE.

On June 30, 2024, mutual reseller agreements between Adtran Networks SE and Adtran, Inc. as well as a stock compensation recharges agreement between Adtran Networks SE and Adtran Holdings, Inc. were in place. In addition, Adtran Networks Poland and ADVA Optical Networking India have concluded R&D service agreements with Adtran, Inc. Furthermore, in 6M 2024 intercompany service agreements were concluded between Adtran Networks SE and Adtran GmbH, between Adtran Networks UK and Adtran Europe, Ltd. and between Adtran Networks Poland and Adtran, Inc.

On June 30, 2024 trade accounts payables amounting to EUR 2,473 thousand (December 31, 2023: EUR 1,382 thousand) and trade accounts receivables amounting to EUR 4,519 thousand (December 31, 2023: EUR 980 thousand) are reported in respect to Adtran Holdings, Inc. and Adtran, Inc. Liabilities include among others the recharged costs for the share-based payment instruments (see Note (31)) and interest from a loan agreement with Adtran Holdings, Inc.

Moreover, Adtran Networks reports a loan granted to Adtran, Inc. as described in note (13). and a receivable from the profit and loss transfer agreement amounting to EUR 23,934 thousand (December 31, 2023: EUR 23,934 thousand).

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

(33) 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	
	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023
Thomas R. Stanton Chief executive officer (since July 1, 2023)	188,414	188,414	457,551	349,379
Christoph Glingener Chief technology officer (Chief executive officer until June 30, 2023)	233,775	233,775	17,763	7,625
Ulrich Dopfer Chief financial officer	186,471	186,471	20,020	8,932

	Number of annual PSU		Number of 3-year plan PSU		Number of integration bonus PSU	
	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023
Thomas R. Stanton Chief executive officer (since July 1, 2023)	260,819	163,350	144,492	72,246	39,735	39,735
Christoph Glingener Chief technology officer (Chief executive officer until June 30, 2023)	19,669	7,625	60,205	60,205	13,907	13,907
Ulrich Dopfer Chief financial officer	22,253	8,932	60,205	60,205	16,291	16,291

Further details on share-based payment instruments of the Management Board are included in note (31).

Supervisory board

On June 30, 2024, the members of the supervisory board were Eduard Scheiterer, chairman, Frank Fischer, vice chairman, and Heike Kratzenstein. Johanna Hey resigned from her position as a member of the supervisory board and as chairwoman of the supervisory board of Adtran Networks SE on June 30, 2023.

The members of the supervisory board did not hold shares, stock options or other share-based payment instruments of the company on June 30, 2024 (December 31, 2023: none).

At the Annual General Meeting on June 28, 2024, a resolution was passed to change the remuneration of the supervisory board. From 2024, the fixed remuneration for the chairman will remain unchanged at EUR 100 thousand, for the chairman of the audit committee unchanged at EUR 90 thousand and will be increased to EUR 75 thousand for the other members of the supervisory board (previous year: EUR 45 thousand). On June 30, 2024, trade accounts payable to the supervisory board for the pro rata compensation for Q2 2024 including the pro rata retroactive adjustment of the remuneration for 2024 with an amount of EUR 74 thousand were recognized (December 31, 2023: EUR 59 thousand). The pay-out of these payables was carried out in July 2024 (January 2024).

(34) 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, 2024, or the group's and the company's financial performance for 6M 2024. 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 9, 2024

Thomas R. 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 9, 2024

Thomas R. Stanton Christoph Glingener

Ulrich Dopfer

Financial calendar

Press release for the 3rd quarter 2024

November 7, 2024
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 2023.

.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 six-month report as well as previous annual reports, quarterly 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 group's website, www.adva.com.

Investor communication

To receive an investor packet or other information, have specific questions or would like to be added to the company's mailing list, please contact Adtran Networks' Investor Relations team by email at IRelations@adtran.com.