Adtran

Building a secure tomorrow

Annual report 2024

Contents

Welcome

Profile

Adtran Networks is a company founded on innovation and driven to help our customers succeed.

Our technology is the foundation of a shared digital future and empowers networks across the globe. We're continually developing breakthrough hardware and software that leads the networking industry and creates new business opportunities.

It's these open connectivity solutions that enable our customers to deliver the cloud[1] and mobile services that are vital to today's society and for imagining new tomorrows.

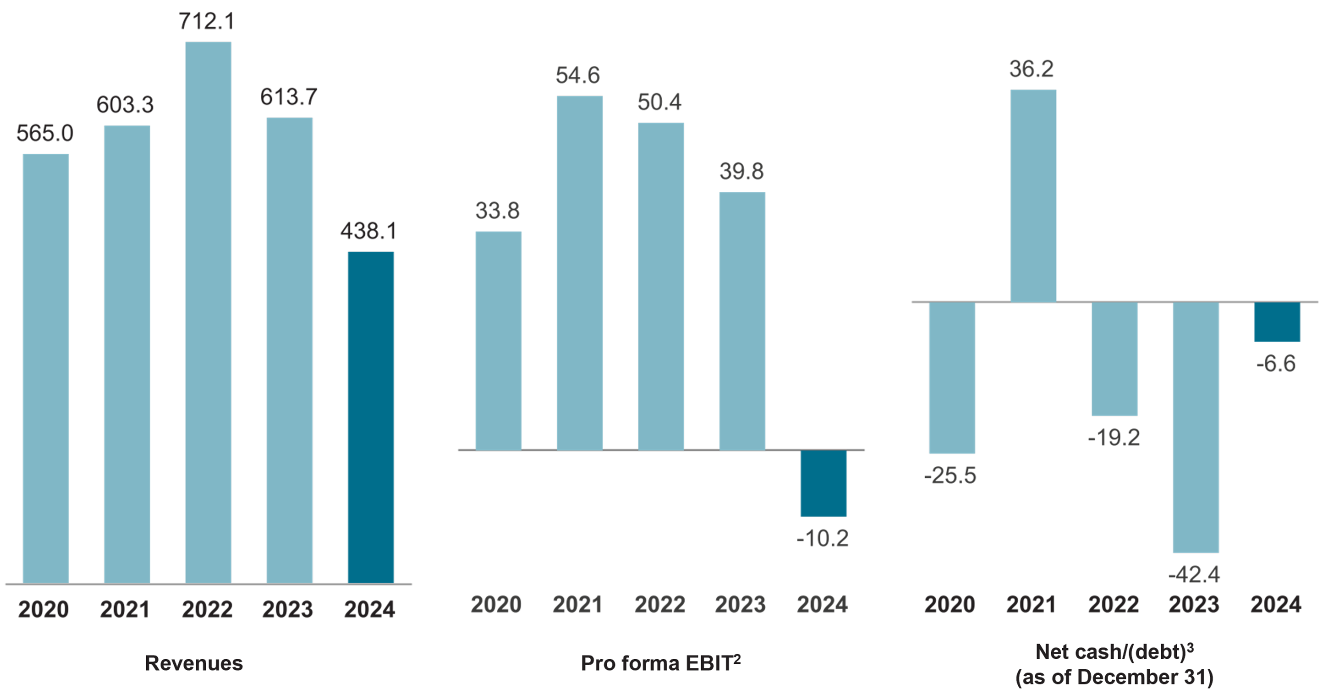
Together, we're building a truly connected and sustainable future.

Mission

Adtran Networks enables open next-generation networks. The group's mission is to be an innovation leader focused on its customers' experience by building better networking solutions.

2024 key performance indicators

(in millions of EUR)



[1] Cloud in the context of IT describes a concept where applications no longer run on the user's in-house IT infrastructure (for example, a server) but are outsourced to a service provider whose IT infrastructure is not visible or known in detail – as if it was hidden in a cloud. A typical example is the use of software as a service, where the software is not stored on the user's machine, but on servers of the software service provider.
[2] 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, integration and restructuring measures are not included.
[3] Net cash is calculated by subtracting total financial liabilities from cash and cash equivalents. Total financial liabilities comprise current and non-current financial liabilities to banks, including factoring agreements, as well as current and non-current financial receivables and liabilities to Adtran Holdings Inc. and Adtran, Inc. , including receivables and liabilities 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.

Combined management report

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

Basis of preparation

This report combines the group management report of Adtran Networks group (“the group”, “Adtran Networks”), comprising Adtran Networks SE (hereafter also referred to as “the company”, “Adtran Networks SE”) and its consolidated subsidiaries, and the management report of Adtran Networks SE.

The combined management report of Adtran Networks SE was prepared in accordance with sections 289, 315 and 315e of the German Commercial Code (Handelsgesetzbuch, HGB) and German Accounting Standards (Deutsche Rechnungslegungsstandards) No. 17 and 20 (DRS 17 and 20).

All information contained in this report relates to the status on December 31, 2024, or the financial year ending on that date, unless stated otherwise.

The German Corporate Governance Code provides for disclosures on the internal control and risk management system that go beyond the statutory requirements for the management report and are therefore excluded from the auditor's review of the content of the management report ("non-management report disclosures"). These are classified further to risk management and are explained in more detail in the chapter "risk and opportunities report".

Due to rounding, figures in tables may not add up exactly to the totals shown and percentages shown may not exactly reflect the absolute figures to which they relate.

In the combined management report, prior-year figures have been adjusted in accordance with IAS 8 accounting policies, changes in accounting estimates and errors. Further details on the changes made are presented in note (4) to the consolidated financial statements.

Forward-looking statements

The combined management report of Adtran Networks SE contains forward-looking statements using words such as “believes”, “anticipates” and “expects” to describe expected revenues, costs and earnings, anticipated demand for optical networking solutions and anticipated liquidity from which internal estimates may be inferred. 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. Unknown risks and uncertainties are discussed in the “risk and opportunity report” section further below.

Strategy and control design

Following the registration of the domination and profit and loss transfer agreement with Adtran Holdings, Inc. on January 16, 2023, Adtran Networks has aligned its strategic objectives with the objectives of the group as a whole. Management at the highest group level of Adtran Holdings is based on revenues and adjusted EBIT[1] according to US GAAP for the Adtran Holdings group as a whole. These key figures are important key perfomance indicators for the Adtran Networks Group. In the 10-K report for the 2024 financial year published on March 3, 2025, the Adtran Holdings group reported revenues of USD 922.7 million and an adjusted EBIT of positive USD 3.2 million.[2]

In addition, the most important performance indicators for managing the Adtran Networks Group in the IFRS consolidated financial statements of Adtran Networks SE continue to be revenues, pro forma EBIT[3] and net cash[4]. These key figures are reported to the management board and the supervisory board on a quarterly and annual basis.

In addition, a forecast for customer satisfaction measured by the net promoter score (NPS) for 2024 of 35% was given in the annual report 2023. Since the 2024 financial year, the NPS has not been analyzed at the level of Adtran Networks SE. The NPS is therefore no longer considered a significant non-financial performance indicator.

This annual report continues to report on the previous key performance indicators.

[1] Adjusted EBIT is defined as the Adtran Holdings group earnings before interest and tax, determined based on the audited financial results, and adjusted to remove any restructuring expenses; acquisition-related expenses and amortization of intangibles; stock-based compensation expense; the non-cash change in fair value of equity investments held in the deferred compensation plan; and any other non-GAAP exclusions approved by the compensation committee of Adtran Holdings, Inc.
[2] Unaudited information
[3] 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.
[4] Net cash is calculated by subtracting total financial liabilities from cash and cash equivalents. Total financial liabilities comprise current and non-current financial liabilities to banks, including factoring agreements, as well as current and non-current financial receivables and liabilities to Adtran Holdings Inc. and Adtran, Inc., including receivables and liabilities 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.

General economic and market conditions

The global economy at the beginning of 2025

The International Monetary Fund (IMF) has updated its economic growth projections for nations and regions in its latest World Economic Outlook (WEO), adjusting most forecasts compared to its October 2024 report. In the January 2025 edition, the IMF estimates that global economic growth will reach 3.3% in 2025, a slight increase from the 3.1% projected for 2024. The US economy is expected to expand by 2.7%, up from 2.1% in 2024, while the euro area is forecast to grow by 1.0% in 2025, compared to an estimated 0.8% in the previous year. For Germany, the IMF projects an increase of 0.3%, following a -0.2% decrease in 2024.

The fiscal policies implemented by central banks worldwide to curb inflation have yielded positive results in many regions. Global inflation is expected to decline to 4.2% in 2025 and further to 3.5% in 2026. Over the medium term, a gradual easing of fiscal policy is anticipated.

Market environment for Adtran Networks

The pandemic further highlighted the essential role of robust telecommunications infrastructure. However, after record-breaking quarters in 2022 and 2023, sentiment in the optical networking sector deteriorated significantly. Many major telecommunications providers had built up large inventories and postponed infrastructure projects. The macroeconomic environment and rising interest rates also placed financial strain on these companies. Management anticipates that inventory levels have largely stabilized, which should lead to increased customer investment in 2025.

The addressable market for Adtran Networks continues to be shaped by increasing digitalization and sustained demand for cloud[5]-based solutions and high-performance communications infrastructure. The growing adoption of artificial intelligence (AI), data-intensive applications such as virtual reality (VR), ultra-high-definition video and the industrial internet of things (Industrial IoT[6]) is further accelerating market demand. The use of remote and hybrid work models, along with AI-driven business processes, remains a key growth factor. Additionally, government funding programs, such as those supporting broadband expansion and green technologies, are providing further momentum.

In recent years, the telecommunications network industry has undergone consolidation, most recently with Nokia's acquisition of Infinera in 2024. Only a few manufacturers with strong innovation capabilities and stable business models have remained competitive. Vendors with lower technological standards, particularly from Asia, are increasingly being excluded from Western networks due to growing concerns over trust and security. The Covid-19 pandemic and geopolitical tensions have further underscored the need for resilient network infrastructures and secure supply chains.

Adtran Networks has consistently invested in innovation, positioning itself as a leader in secure and scalable data transmission technologies. The company's network solutions form the backbone of digital economies, AI deployments, Industrial IoT applications, and mobile network expansion. Its technology enables high-performance cloud and edge computing applications as well as data center interconnect DCI[7]) solutions. In particular, fiber-optic transmission based on wavelength division multiplexing (WDM[8]) remains a core segment and competitive advantage.

Additionally, Adtran Networks' synchronization technology supports highly precise time synchronization, which is critical for 5G networks, global data centers and essential infrastructure. The ongoing expansion of the company's portfolio is also enabling it to serve additional industries, such as energy providers and government networks.

[5] Cloud in the context of IT describes a concept where applications no longer run on the user's in-house IT infrastructure (for example, a server) but are outsourced to a service provider whose IT infrastructure is not visible or known in detail – as if it was hidden in a cloud. A typical example is the use of software as a service, where the software is not stored on the user's machine, but on servers of the software service provider.
[6] Network of devices such as vehicles and home appliances that contain electronics, software, sensors, actuators, and connectivity which allows these things to connect, interact and exchange data.
[7] Network that connects geographically dispersed data centers.
[8] WDM expands the capacity of networks by allowing a greater number of signals to be transmitted over a single fiber. WDM enables numerous channels of data to be multiplexed into unique color bands, and then to be combined and transmitted over a single fiber and de-multiplexed at the other end.

Market outlook

After an estimated decline in the addressable market to $10.3 billion[9] in 2024, growth is projected to reach $12.5 billion by 2028. The shift in demand from Asian vendors like Huawei to European manufacturers is creating new opportunities, though their full impact is yet to be determined. The increasing need for secure communications technology in critical infrastructure is also opening new business avenues for Adtran Networks.

Overall, Adtran Networks remains competitive to capitalize on the rising importance of modern communications networks and the growing demand for security.

[9] World market excluding China for Metro and Backbone WDM (Omdia, “Optical Networks Forecast”, published November 2023), Access Switching and Ethernet Demarcation, (Omdia: “Service Provider Switching and Routing Forecast”, October 2023) and network synchronization (Adtran Networks own estimates)

Business development and operational performance of the group

Revenues

Revenues represent one of the three key performance indicators for Adtran Networks. In 2024, the group generated revenues of EUR 438.1 million, a decrease of 28.6 % on revenues of EUR 613.7 million in 2023. In 2024, there was a slowdown in demand from many customers due to high inventory levels. This effect was observed among telecommunications service providers and internet content providers (ICPs[10]) in the first half of the year in particular and weakened somewhat towards the end of the year. In addition, a number of important projects were completed, which increased sales in 2023. The group reported revenues of EUR 118.9 million in Q4 2024. This corresponds to an increase of 17.3 % compared to Q3 2024 and of 0.4 % compared to Q4 2023. In Q4 there was an upturn in demand from some telecommunication providers which boosted the revenues along with some key enterprise projects.

In 2024, EMEA (Europe, Middle East and Africa) was again the most significant sales region amounting to 52.7 % of total revenues (prior year: 56.8 %), followed by the Americas reporting 35.1 % of total revenues (prior year: 34.3 %) and Asia-Pacific amounting to 12.2 % of total revenues (prior year: 8.9 %).

Year-over-year, EMEA revenues of EUR 230.8 million in 2024 were significantly down from EUR 348.5 million in 2023. Adtran Networks continues to maintain a broad and loyal customer base in this region. However, high customer inventories and the delay in the completion of an important customer project had a negative impact on business in this region. The strong decline of 33.8 % compared to the previous year is due to low demand from service providers.

In the Americas region, revenues also strongly decreased from EUR 210.6 million in 2023 to EUR 153.9 million in 2024. This is driven by decreased demand from service providers and enterprise customer due to high customer inventories.

In Asia-Pacific, revenues slightly decreased from EUR 54.6 million in 2023 to EUR 53.4 million in 2024. Asia-pacific revenues remained reasonably consistent, service provider revenues saw a slight increase and sales with enterprise customers developed positively in some cases.

[10] ICPs are companies that create, store and distribute digital content. ICPs are often also referred to as OTT (over-the-top) providers, Web2.0 or digital media companies.

Results of operations

(in millions of EUR, except earnings per share)	2024	Portion of revenues	2023	Portion of revenues
Revenues	**438.1**	**100.0 %**	**613.7**	**100.0 %**
Cost of goods sold	(282.3)	64.4 %	(395.1)	64.4 %
Gross profit	**155.8**	**35.6 %**	**218.6**	**35.6 %**
Selling and marketing expenses	(59.6)	13.6 %	(68.5)	11.2 %
General and administrative expenses	(31.9)	7.3 %	(42.1)	6.9 %
Research and development expenses	(108.0)	24.7 %	(105.6)	17.2 %
Other operating income and expenses, net	1.1	0.2 %	11.0	1.8 %
Operating income	**(42.6)**	**(9.7)%**	**13.3**	**2.2 %**
Interest income and expenses, net	(3.0)	0.7 %	(3.3)	0.5 %
Other financial gains and losses, net	(1.3)	(0.3)%	(4.0)	(0.7)%
Income before tax	**(46.9)**	**(10.7)%**	**6.0**	**1.0 %**
Income tax expense (benefit), net *)	(15.8)	3.6 %	(18.3)	(3.0)%
Net loss *)	**(62.7)**	**(14.3)%**	**(12.2)**	**(2.0)%**
Earnings per share (in EUR)				
basic	-1.20		-0.24	
diluted	-1.20		-0.24	

*) The 2023 income tax benefit (expense), net and the net loss was corrected according to IAS 8. Details are explained in Note (4).

Cost of goods sold and gross profit

Cost of goods sold decreased from EUR 395.1 million in 2023 to EUR 282.3 million in 2024, primarily due to the lower revenues. Cost of goods sold includes amortization charges for capitalized development projects of EUR 40.4 million in 2024 after EUR 39.2 million in 2023.

Gross profit declined to EUR 155.8 million in 2024 after EUR 218.6 million in 2023, comprising 35.6 % of revenues in both periods, respectively.

Selling and marketing expenses

Selling and marketing expenses of EUR 59.6 million in 2024 were down from EUR 68.5 million in 2023 and comprised 13.6 % and 11.2 % of revenues, respectively. The absolute cost decrease is mainly attributable to lower variable personnel expenses relating to the decreased revenues and order entries in 2024 as well as to to the sales-related reduction in work force.

Adtran Networks continues to focus on after-sales customer service and direct-touch activities with those key customers served via indirect distribution channels. Establishing direct contact enables the group to work more closely with its end customers and better understand their specific requirements, which in turn helps in developing market-relevant products.

General and administrative expenses

General and administrative expenses were at EUR 31.9 million in 2024, down from EUR 42.1 million recorded in 2023. The share of total revenues was at 7.3 % in 2024 versus 6.9 % in 2023. The decrease in general and administrative expenses results in particular from lower personnel expenses due to restructuring measures in prior periods. In prior year, higher one-time expenses for those restructuring measures had been considered.

Research and development expenses

Net research and development expenses of EUR 108.0 million were up from EUR 105.6 million reported in 2023, thereby constituting 24.7 % of revenues in 2024 after 17.2 % in the prior year. Capitalization of development expenses of EUR 36.6 million in 2024 were lower than the EUR 45.8 million seen in 2023 mainly driven by the decline in personnel costs and restructuring measures that have been implemented. The capitalization rate in 2024 amounted to 25.3 % (prior year: 30.3 %).

Adtran Networks' research and development activities are driven by the distinct emphasis on differentiating its innovative connectivity solutions for cloud and mobile services and working with customers and partners to identify and meet their current and future needs. The resulting key technologies and products simplify complicated existing network structures and supplement existing solutions.

During 2024, research and development activities were focused on the following four technology areas:

- Enhancements to the open optical transport solution including the development of new terminal solutions such as M-Flex800 and the improvement of the Optical Line System to in terms of capacity and performance
- Development of a new generation of high-speed and cost-optimized network terminals
- Continued product security hardening to meet regulatory requirements regarding critical infrastructure
- Extensions to the Oscilloquartz Synchronization & Timing product portfolio

Operating income

Net other operating income and expenses amounted to positive EUR 1.1 million in 2024, were down from positive EUR 11.0 million in the prior year. In 2024, impairment losses on goodwill were included, which were only partially offset by higher income from the provision of services to the Adtran Holdings, Inc. group and its subsidiaries. In addition, other operating income included in particular subsidies for research projects amounting to EUR 8.5 million (previous year: EUR 4.7 million).

Total operating expenses decreased from EUR 205.3 million in 2023 to EUR 198.4 million in 2024, representing 45.3 % of revenues in 2024 after 33.4 % in the prior year.

Overall, Adtran Networks reported a clearly negative operating result of EUR 42.6 million in 2024 after an operating income of EUR 13.3 million in the prior year. The significant decline in the operating result was primarily due to the recognition of impairment losses on goodwill due to lower expected future earnings contributions and lower EBITDA margins, as well as from the negative development of revenues, which was only partially offset by improved gross margins and cost savings in the past financial year as a result of restructuring measures.

Pro forma EBIT[11]

Pro forma EBIT represents one of the three key performance indicators for the group. As pro forma EBIT excludes non-cash charges related to stock compensation, impairment of goodwill and amortization of intangibles assets recognized in business combinations as well as non-recurring expenses related to M&A and restructuring measures, Adtran Networks' management board 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.

The pro forma EBIT clearly decreased from positive EUR 39.8 million in 2023 to negative EUR 10.2 million in 2024.

[11] 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, integration and restructuring measures are not included.

The reconciliation of operating profit to pro forma operating profit is as follows:

(in millions of EUR)	2024	2023
Operating income	**(42.6)**	**13.3**
Expenses related to share-based compensation	5.9	5.3
Amortization of intangible assets from business combinations	1.4	3.3
Impairment of goodwill	17.4	4.5
Expenses related to M&A transactions, integration and restructuring expenses	7.7	13.4
Pro forma EBIT	**(10.2)**	**39.8**

In 2024, the expenses related to M&A transactions, integration and restructuring expenses included restructuring expenses of EUR 7.0 million (prior year: EUR 12.3 million). The higher restructuring expenses in 2023 are the result of cost consolidation measures initiated at the end of 2022, particularly in the area of personnel.

Net income/(loss)

Given the substantially decreased operating result Adtran Networks reported a net loss of EUR 62.7 million for 2024, after a net loss of EUR 12.2 million in 2023 considering prior year adjustments according to IAS 8[12]. Beyond operating income, the net result in 2024 included net interest expenses of EUR 3.0 million (prior year: EUR 3.3 million) and net other financial loss of EUR 1.3 million (prior year: net other financial loss of EUR 4.0 million). Other financial gains and losses mainly relate to the translation of foreign currency assets and liabilities and to gains and losses on hedging instruments.

In 2024, the group reported an income tax expense of EUR 15.8 million after an income tax expense of EUR 18.3 million in 2023, representing a tax rate of 33.75 % (previous year: tax rate of 303.47 %). In both 2024 and 2023 the income tax expense mainly results from the reversal of deferred tax assets on the tax loss carryforwards of Adtran Networks SE.

Summary: Business development and operational performance

Although the gross margin increased in 2024 compared to the previous year, the operating result deteriorated in connection with declining sales revenue. Operating costs increased despite positive effects from the restructuring measures due to the recognition of goodwill impairments. Therefore, Adtran Networks reports a net loss in 2024.

[12] Prior year adjusted according to IAS 8 (please refer to note (4) of the notes to the consolidated financial statements for further details).

Net assets and financial position of the group

Balance sheet structure

Adtran Networks' total assets slightly increased by EUR 0.4 million or 0.1 %, from EUR 669.6 million[13] at year-end 2023 to EUR 670.0 million at the end of 2024.

Assets

Current assets increased by EUR 5.2 million or 1.5 % from EUR 357.7 million on December 31, 2023, to EUR 362.9 million on December 31, 2024, and comprised 54.2 % of the balance sheet total after 53.4 % at the end of the prior year. The increase in current assets was mainly driven by an increase in receivables from the domination and profit and loss transfer agreement with Adtran Holdings, Inc. of EUR 47.1 million at the end of 2024 after EUR 23.9 million at the end of the previous year. Other current assets increased in particular due to increased receivables from funded research projects as well as receivables from the sale of debt instruments of other entities by EUR 7.2 million to EUR 85.4 million at year-end 2024. At the same time, cash and cash equivalents declined by EUR 3.5 million to EUR 27.0 million as of December 31, 2024. This related in particular to the negative development of results. Trade accounts receivable decreased from EUR 115.6 million to EUR 108.6 million at the end of December 2024. DSOs[14] deteriorated significantly from 71 days reported in 2023 to 83 days in 2024. Inventories were down by EUR 15.1 million to EUR 91.1 million. Inventory turns decreased from 3.3x in 2023 to 2.9x in 2024.

Non-current assets declined by EUR 4.8 million from EUR 312.0 million at year-end 2023 to EUR 307.1 million on December 31, 2024. This decrease was in particular was impacted by an impairment charge on goodwill, that was partially offset by exchange rate effects. Goodwill overall decreased by EUR 14.7 million to EUR 50.2 million at the end of 2024. Non-current assets by declined by EUR 6.2 million to EUR 17.1 million at the current year-end, particularly in connection with lower receivables from funding. Right-of-use assets from lease agreements decreased to EUR 25.5 million at the end of 2023 after EUR 28.3 million at the end of the previous year, primarily due to reduction of lease space as a result of restructuring measures. Property plant and equipment decreased by EUR 4.5 million and capitalized development projects decreased from EUR 104.6 million to EUR 100.6 million at year-end 2024. At the same time, deferred tax assets (after netting) slightly increased by EUR 0.2 million to EUR 19.7 million at the end of 2024 after taking into account adjustments to the previous year's figures in accordance with IAS 8. Deferred tax assets and liabilities are presented net in accordance with relevant netting requirements.

Meaningful additional assets belonging to Adtran Networks are the broad and global customer base of several hundred service providers and thousands of enterprises, the Adtran Networks, Oscilloquartz and Ensemble[15] brands, the vendor and partner relationships and a motivated and qualified global team. These assets are not recognized in the balance sheet.

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[13] Prior year adjusted according to IAS 8 (please refer to note (4) of the notes to the consolidated financial statements for further details).
[14] Days Sales Outstanding: The key figure describes the average number of days between invoicing and receipt of payment.
[15] Ensemble is a trademark used by Adtran Networks for the company's software solutions.

Liabilities

With respect to equity and liabilities, current liabilities increased by EUR 16.0 million from EUR 148.2 million at year-end 2023 to EUR 164.1 million at the end of 2024. The rise is mainly due to an increase of trade accounts payables by EUR 5.5 million to EUR 48.6 million at the end of 2024. DPO[16] declined to 55 days in 2024 compared to 62 days in the previous year. Due to the consolidation of a special purpose entity in connection with a factoring agreement, the group continues to report a liability to banks as at December 31, 2024 amounting to EUR 21.5 million (prior year: EUR 13.3 million). The financial liabilities are explained in more detail in a separate section below. Other current liabilities at the end of 2024 include in particular obligations from subsidized research projects and increased by EUR 4.8 million compared to December 31, 2023. At the same time, current provisions fell to EUR 14.5 million as at December 31, 2024 compared to EUR 18.4 million at the end of the previous year.

Non-current liabilities at EUR 117.7 million at year-end 2024 were down from EUR 125.7 million reported at prior year-end. This was mainly due to the decrease in other non-current liabilities from EUR 23.7 million at the end of 2023 to EUR 15.4 million as at December 31, 2024 as a result of decreased obligations from funded research projects. In addition, non-current liabilities from leases were EUR 2.5 million lower at EUR 22.8 million in particular due to reduced rental space. In 2024, joint financing with Adtran Holdings, Inc. took place, which led to the recognition of a bank loan in the amount of EUR 46.9 million at the end of 2024. At the same time, a loan granted by Adtran Holdings, Inc. was fully repaid. The financial liabilities are explained in more detail in a separate section below. After taking into account adjustments to the previous year's figures in accordance with IAS 8, deferred tax liabilities increased by EUR 9.8 million to EUR 12.1 million as of December 31, 2024 as the offsetting potential has decreased due to lower deferred tax assets.

Stockholders' equity decreased by EUR 7.5 million from EUR 395.7 million[17] at year-end 2023 to EUR 388.2 million at the end of 2024. The negative effect from the consolidated net loss for the year was only partially offset by the loss absorption obligation of Adtran Holdings, Inc. in relation to the net loss for the year of Adtran Networks SE calculated in accordance with commercial law. The equity ratio remained fairly at 57.9 % at the end of 2024, after 59.1 % at year-end 2023.

[16] Days Payable Outstanding: The key figure indicates the average number of days between receipt of invoice and outgoing payment.
[17] Prior year adjusted according to IAS 8 (please refer to note (4) of the notes to the consolidated financial statements for further details).

Capital expenditures

Capital expenditures for additions to property, plant and equipment in 2024 amounted to EUR 10.7 million, clearly down from EUR 19.0 million in 2023, largely reflecting lower investments in connection with the expansion of the Meiningen production facility, that was considered in 2023.

Capital expenditures for intangible assets of EUR 51.3 million in 2024 were up from EUR 49.2 million in the prior year. This total consists of capitalized development projects of EUR 36.5 million in 2024 after EUR 45.8 million in 2023, and investments in concessions, software licenses and other intangible assets of EUR 14.8 million in 2024 after EUR 3.4 million in 2023. Investments in capitalized development projects are mainly driven by development activities for open optical transmission technology including the new SFlex™ terminals and Adtran Networks' new generation of cloud access products with data rates of 100Gbit/s and network synchronization solutions.

Cash flow

(in millions of EUR)	2024	Portion of cash	2023	Portion of cash
Operating cash flow[18]	63.0	233.1 %	45.4	148.5 %
Investing cash flow[18]	(81.4)	301.0 %	(71.8)	235.0 %
Financing cash flow	12.6	46.4 %	(0.2)	0.5 %
Net effect of foreign currency translation on cash and cash equivalents	2.3	8.4 %	(1.3)	4.3 %
Net change in cash and cash equivalents	**(3.5)**	**13.0 %**	**(27.9)**	**91.3 %**
Cash and cash equivalents at the beginning of the period	30.6	113.0 %	58.4	191.3 %
Cash and cash equivalents at the end of the period	**27.0**	**100.0 %**	**30.6**	**100.0 %**

Cash flow from operating activities of EUR 63.0 million in 2024 was significantly up by EUR 17.7 million from EUR 45.4 million [18] in 2023. This increase was mainly due changes in working capital.

Cash flow from investing activities was negative EUR 81.4 million in 2024 after negative EUR 71.8 million[18] in the prior year. In 2024, capital expenditures for other intangible assets increased compared to the previous year, while at the same time investments in property, plant and equipment and capitalized development projects fell. The cash flow from investing activities in 2024 and 2023 includes the increase in the balance from the purchase of receivables from Adtran, Inc. due to a joint factoring agreement in the amount of EUR (5.3) million and EUR (3.9) million, respectively.

Finally, cash flow from financing activities was at positive EUR 12.6 million in 2024 significantly up compared to the level of negative EUR 0.2 million in 2023. The net cash inflow in in 2024 mainly resulted from the payment of the receivables from the 2023 loss assumption by Adtran Holdings, Inc. The cash outflow in 2023 mainly related to scheduled repayments and interest payments for existing liabilities to banks and to Adtran Holdings, Inc.

Overall, including the net effect of foreign currency translation on cash and cash equivalents of positive EUR 2.3 million (2023: negative EUR 1.3 million), cash and cash equivalents again decreased by EUR 3.5 million in 2024, from EUR 30.6 million at year-end 2023 to EUR 27.0 million at the end of 2024, after a decrease of EUR 27.9 million in the prior year.

[18] Prior year adjusted according to IAS 8 (please refer to note (4) of the notes to the consolidated financial statements for further details).

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 equity base, Adtran Networks finances its business by means of loans provided by Adtran Holdings, Inc. and 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.

Financial liabilities

In 2024, financial liabilities decreased by EUR 0.3 million to EUR 97.2 million at the end of 2024. The liability from a loan from Adtran Holdings, Inc. in the amount of EUR 52.8 million on December 31, 2023 was repaid in full in 2024 and replaced by a joint loan agreement (Senior Secured Credit Facility) of Adtran Holdings, Inc. with Wells Fargo Bank and other lenders in the amount of EUR 46.9 million at the end of 2024. Due to a factoring agreement concluded at the end of 2023, the group continues to report a current liability to banks in the amount of EUR 21.5 million as at December 31, 2024 (prior year: EUR 13.3 million).

Current lease liabilities slightly decreased by EUR 0.5 million, to EUR 6.0 million at the end of December 2024 while non-current lease liabilities decreased by EUR 2.5 million to EUR 22.8 million.

Further details about the group’s financial liabilities can be found in notes (16) and (17) to the consolidated financial statements.

Net cash[19]

Net cash represents one of the three key performance indicators for the group. Despite the decline in cash and cash equivalents, Adtran Networks’ net cash improved significantly by EUR 35.8 million from net debt of EUR 42.4 million at year-end 2023 to net debt of EUR 6.6 million at the end of 2024. This was in particular due to the loans granted to Adtran Inc. and the significant increase in receivables from Adtran Holdings, Inc. related to the control and profit and loss transfer agreement. Cash and cash equivalents of EUR 27.0 million on December 31, 2024, and of EUR 30.6 million on December 31, 2023, were invested mainly in euro, USD and in GBP.

[19] Net cash is calculated by subtracting total financial liabilities from cash and cash equivalents. Total financial liabilities comprise current and non-current financial liabilities to banks, including factoring agreements, as well as current and non-current financial receivables and liabilities to Adtran Holdings Inc. and Adtran, Inc., including receivables and liabilities 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.

Net cash/(debt) as of December 31 is calculated as follows:

(in millions of EUR)	2024	2023
Liabilities to banks		
current	(21.5)	(13.3)
non-current	(46.9)	—
Financial liabilities to Adtran Holdings, Inc.		
non-current	—	(52.8)
Lease liabilities		
current	(6.0)	(5.6)
non-current	(22.8)	(25.3)
Loans granted	16.4	—
Receivable from Adtran Holdings, Inc. due to the control and profit and loss transfer agreement	47.1	23.9
Cash and cash equivalents	27.0	30.6
Net debt	**(6.6)**	**(42.4)**

Summary: Net assets and financial position

Despite the significant improvement in cash flow from operating activities, cash and cash equivalents again decreased. Nevertheless, Adtran Networks' net assets and financial position remains stable in 2024 reporting an equity ratio of 57.9 %.

Transactions with related parties

Transactions with related individuals and legal entities are discussed in notes (41) and (42) to the consolidated financial statements.

Performance of Adtran Networks SE

In addition to reporting on the Adtran Networks Group, the development of Adtran Networks SE is explained below. The financial performance indicator used to manage the company is revenue. As the course of business, including the business result and the situation of the Adtran Networks Group and Adtran Networks SE were the same in the past financial year and the expected development with its significant opportunities and risks in the Adtran Networks Group and Adtran Networks SE is also the same, please refer to the disclosures in the Group management report for the forecast information on the financial performance indicator.

Adtran Networks SE prepares its annual financial statements in accordance with the provisions of the German Commercial Code. The corresponding complete financial statements are published separately.

Offices and organization

The company maintains its registered office in Meiningen, Germany. This is also the location of the main production and development facility of the company. In Martinsried/Munich, the company maintains its headquarter with all central functions and the sales and marketing organization. Furthermore, Adtran Networks maintains some small to midsize national and international offices.

Operational performance

In the past financial year, Adtran Networks SE generated sales totaling EUR 302.1 million. This corresponds to a decrease of 30.0 % compared to sales of EUR 431.3 million in the previous year. In 2024 there was a weakening in demand from many customers due to high inventories. This effect was particularly noticeable for telecommunications service providers and internet content providers (ICPs) in the first half of the year and weakened somewhat towards the end of the year. In addition, several important projects were completed in the previous year, which had increased revenues in 2023. In the previous year's management report, a decline in revenue of around 25% was expected in the 2024 forecast report.

EMEA remained the most important sales region in 2024, followed by the Americas and Asia-Pacific. Sales in EMEA decreased by 35.7 % from EUR 284.3 million to EUR 182.9 million. The share of total sales decreased from 65.9 % in 2023 to 60.5 % in 2024. Despite the decline in sales, Adtran Networks SE is strong in the EMEA region and is achieving good success with its mature partner strategy and broad, loyal customer base. In the Americas region, sales fell by 24.3 %, from EUR 96.8 million in 2023 to EUR 73.2 million in 2024. This is also due to lower demand from telecommunications service providers and internet content providers, while the regional share of total annual sales increased to 24.2 % in 2024 after 22.4 % in 2023. In the Asia-Pacific region, sales decreased by 8.3 % from EUR 50.1 million in 2023 to EUR 46.0 million in 2024. The decline is due to a drop in demand from key customers as a result of high inventory levels. The Asia-Pacific region contributed 15.2 % to total sales in 2024, compared to 11.6% in 2023.

Cost of sales decreased from EUR 270.0 million in 2023 to EUR 191.2 million in 2024. The share of sales of 63.3 % increased compared to the previous year (62.6 %).

Gross profit decreased from EUR 161.3 million or 37.4 % of sales in 2023 to EUR 110.9 million or 36.7 % of sales in 2024. The company's gross margin fell slightly in 2024 due to a decline in sales and a deterioration in the operating result. In general, there are effects from shifts in the regional distribution of sales and changes in the customer and product mix.

Selling and marketing expenses remained almost constant at EUR 41.3 million in 2024 (previous year: EUR 41.1 million).

General administrative expenses fell from EUR 24.7 million in 2023 to EUR 20.8 million in 2024. The decrease versus 2023 is due to significant lower expenses for external services.

After decreased capitalization of internally generated intangible assets worth EUR 0.0 million in 2024 compared to EUR 45.8 million in the previous year, research and development costs amounted to EUR 110.4 million or 36.5 % of sales compared to EUR 119.6 million or 27.7 % of sales in the previous year.

Other operating result (other operating income less other operating expenses) increased from EUR 1.4 million in the previous year to EUR 9.8 million in 2024. The other operating result in 2024 was mainly influenced by write-ups on financial assets and a write-up on a customer base acquired against payment in previous years.

In 2024 income from affiliated companies was distributed to the company in the amount of EUR 18.2 million. This investment income resulted from dividend distributions from Adtran Networks North America, Inc (Norcross/Atlanta, USA), Adtran Networks (UK) Ltd (York, United Kingdom) and Adtran Networks Singapore Pte Ltd (Singapore). In the previous year, profit distributions from subsidiaries amounted to EUR 10.9 million.

Summary: Operational performance

The gross margin fell slightly in 2024 compared to the previous year, and the operating result also deteriorated in connection with a decline in sales. The net loss for the year was fully offset by the loss absorption by Adtran Holdings, Inc.

Net assets and financial position

Adtran Networks SE's total assets increased by EUR 15.9 million to EUR 478.4 million as at December 31, 2024, compared to EUR 462.5 million on the previous year's reporting date.

Fixed assets increased from EUR 219.2 million to EUR 249.0 million and now account for 52.1 % of the balance sheet total, compared to 47.4 % at the end of the previous year. The increase in fixed assets is mainly due to the increase in shares in affiliated companies by EUR 4.0 million from EUR 64.8 million to EUR 68.8 million and an increase in loans to affiliated companies in the financial year by EUR 16.5 million from EUR 1.8 million to EUR 18.3 million due to a loan to Adtran, Inc. in the amount of USD 17,1 million. Current assets decreased in the financial year from EUR 240.5 million in the previous year to EUR 227.5 million. Current assets therefore accounted for 47.6 % of total assets as at December 31, 2024, compared to 52.0 % at the end of 2023. The increase in current assets is mainly due to the increase in receivables and other assets by EUR 16.8 million to EUR 131.2 million after EUR 114.4 million in 2023. There was also a decrease in inventories from EUR 118.1 million in the previous year to EUR 92.2 million in 2024. This reduction is due to the decrease in orders for materials and the increased depreciation of old materials. Furthermore, current assets decreased from EUR 8.0 million in the previous year to EUR 4.2 million due to the decline in cash and cash equivalents.

Equity increased slightly from EUR 278.4 million at the end of 2023 to EUR 278.9 million at the end of 2024 and amounted to 58.3 % of total assets after 60.2 % at the previous year's reporting date.

Liabilities increased from EUR 147.4 million in the previous year to EUR 156.4 million. This change is mainly the result of the increase in liabilities to banks by EUR 48.6 million as a result of taking out a loan. Trade payables increased by EUR 1.2 million. This was offset by a reduction in liabilities to affiliated companies of EUR 41.8 million, which mainly resulted from the loan repayment to Adtran, Inc. Provisions fell from EUR 22.0 million in the previous year to EUR 17.5 million at the end of 2024. Deferred income decreased from EUR 14.7 million in the previous year to EUR 14.5 million in 2024.

Capital expenditures

Investments in the 2024 financial year amounted to EUR 80.4 million (previous year: EUR 59.8 million). Of this amount, EUR 55.2 million (previous year: EUR 49.1 million) was invested in intangible assets, EUR 4.1 million (previous year: EUR 10.5 million) in property, plant and equipment and EUR 21.1 million in financial assets (previous year: EUR 0.3 million). The investments in intangible assets result in particular from the addition of internally generated industrial property rights and similar rights and assets. Investments in property, plant and equipment mainly comprise expenditure on technical equipment and machinery in the amount of EUR 2.9 million. The increase in financial assets is mainly due to an increase in loans to affiliated companies (Adtran, Inc., Huntsville, USA) in the amount of EUR 17.1 million.

Liquidity

The development of cash and cash equivalents analyses as follows:

(in millions of EUR)	2024	2023
Operating cash flow	(33.4)	108.6
Investing cash flow	(79.8)	(56.2)
Financing cash flow	109.4	(58.8)
Net change in cash and cash equivalents	**(3.8)**	**(6.4)**
Cash and cash equivalents at the beginning of the year	8.0	14.4
Cash and cash equivalents at the end of the year	**4.2**	**8.0**

During 2023 and 2024, the company was able to meet all payment obligations.

Cash and cash equivalents of EUR 4.2 million as at 31 December 2024 and EUR 8.0 million as at 31 December 2023 were largely denominated in euros and US dollars. The decrease of EUR 3.8 million resulted in particular from the increase in payment obligations. As a result, net liquidity decreased compared to the previous year. Net liquidity is calculated by subtracting total financial liabilities from cash and cash equivalents. Total financial liabilities comprise current financial liabilities from a new factoring agreement concluded on 19 December 2023 as well as current and non-current financial receivables from and liabilities to Adtran Holdings, Inc. including receivables from the domination and profit and loss transfer agreement. In the 2024 financial year, the company also entered into a loan agreement (Senior Secured Credit Facility) of Adtran Holdings, Inc. with Wells Fargo Bank and other lenders as an additional borrower. As at 31 December 2024, Adtran Networks SE had drawn EUR 46,917 thousand (USD 49,000 thousand) from this agreement.

Financing

Liabilities to banks increased from EUR 4.2 million at the end of 2023 to EUR 52.8 million at the end of 2024. On June 4, 2024, Adtran Networks became an additional borrower in a credit agreement (Senior Secured Credit Facility) of Adtran Holdings, Inc. with Wells Fargo Bank and other lenders. The fourth amendment to the previously existing agreement originally allows for a subline of USD 100,000 thousand available for borrowing by Adtran Networks SE (“subline”). As of December 31, 2024, Adtran Networks SE has drawn EUR 46,917 thousand (USD 49,000 thousand) from this agreement. At the end of 2024, the total limit of the subline is USD 74,000 thousand. At the same time, Adtran Networks repaid the financial liability to Adtran Holdings, Inc. in the amount of USD 57,500 thousand in full on June 4, 2024. In addition, a current financial liability results from a factoring agreement concluded in 2023. There is also a long-term intercompany loan with Adva Network Security GmbH in the amount of EUR 15.0 million as at the end of 2024.

Dividend payments

Due to the domination and profit and loss transfer agreement concluded with Adtran Holdings, Inc. on December 1, 2022 and entered in the commercial register on January 16, 2023, the company did not distribute a dividend for 2023 in 2024 (previous year: zero for 2022). Adtran Networks SE does not plan to pay a dividend for the 2024 financial year either.

Summary: Net assets and financial position

The net assets and financial position of Adtran Networks SE remained stable in 2024 despite the reduction in cash flow from operating activities and investing activities, but at the same time due to the increase in cash flow from financing activities.

Events after the balance sheet date

Recently, the global economy has had to contend with several announcements of tariffs in the USA. The volatility of these tariff announcements is creating significant uncertainty for global trade. Adtran is closely monitoring the situation while actively seeking solutions. We have established a communication channel with our suppliers and customers that will remain open and active as we work to keep all stakeholders informed on how recent tariff actions may affect Adtran products used in building and expanding your networks.

Adtran Networks operates a production facility at the headquarters of its parent company in Huntsville, Alabama, and collaborates with manufacturers outside the USA. This approach ensures an efficient, flexible, and cost-effective supply chain. Adtran Networks will continue to monitor and adjust global production processes as needed to minimize potential tariff impacts. To avoid additional tariffs, the relocation of inventory is being considered to continue meeting customers' short-term needs. Furthermore, Adtran Networks works closely with all suppliers to adapt business models and thereby reduce potential tariff burdens.

The financial impact of the customs announcements and the resulting uncertainties in global trade on the net assets, financial position and results of operations of Adtran Networks SE cannot be estimated at this time.

There were no further events after the balance sheet date that might have a material impact on the net assets and financial position or the results of operations.

Disclosures under takeover law in accordance with Section § 289a HGB and Section § 315a HGB

Share capital and shareholder structure

On December 31, 2024, Adtran Networks SE had issued 52,054,500 ordinary no-par value bearer shares (December 31, 2023: 52,054,500). The ordinary shares entitle the holder to vote at the general meeting and to receive dividends in case of a distribution. No restrictions are attached to the ordinary shares. No other class of shares had been issued during the reporting period.

On December 1, 2022, Adtran Networks SE concluded a domination and profit and loss transfer agreement with Adtran Holdings, Inc. based at 901 Explorer Blvd NW, Huntsville, AL 35806, United States, as the controlling company, which was approved by the Annual General Meeting on November 30, 2022. Under this domination and profit and loss transfer agreement, Adtran Networks SE is obliged to transfer its entire profit to Adtran Holdings, Inc. The holders of the ordinary shares (with the exception of Adtran Holdings, Inc. as the majority shareholder) are entitled to a compensation payment under the existing domination and profit and loss transfer agreement.

On December 31, 2024, Adtran Holdings, Inc. held a total of 34,856,232 shares or 66.96 %* of the share capital of Adtran Networks SE (on December 31, 2023: 33,957,538 representing 65.23 % of the share capital)

According to the voting rights notifications published until the end of 2024 in accordance with the German Securities Trading Act (Wertpapierhandelsgesetzt, WPHG), Raphael Kain held a total of 10.27 % of the voting rights (including instruments), whereby Samson Rock Event Driven Master Fund Limited, Camana Bay, Cayman Islands, was specified as the dissenting shareholder directly holding at least 3 % of the voting rights. In the voting rights notification, Raphael Kain and Samson Rock Capital LLP are named in the full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity. The Goldman Sachs Group, Inc., Wilmington, Delaware, United States of America, held a total of 10.70 % of the voting rights (including instruments), whereby 10.36 % of the voting rights (including instruments) are held directly by Goldman Sachs International. The full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity indicated in the voting rights notification includes the following companies: The Goldman Sachs Group, Inc, Goldman Sachs (UK) L.L.C., Goldman Sachs Group UK Limited, Goldman Sachs International Bank, The Goldman Sachs Group, Inc, Goldman Sachs & Co. LLC, The Goldman Sachs Group, Inc, Goldman Sachs (UK) L.L.C., Goldman Sachs Group UK Limited, Goldman Sachs International.

No other shareholder notified with the company to hold more than 10 % of the company’s voting rights on December 31, 2024. Further details on share capital and shareholder structure are disclosed in note (22) to the consolidated financial statements.

* Capital shares refer to the total number of shares held in relation to the share capital as of December 31, 2024.

Restriction of voting rights and share transfers

Neither the voting rights per share nor the transferability of the company's shares are subject to restrictions under company law. Nor was the management board of Adtran Networks SE aware of any agreements by shareholders relating to voting rights or the transfer of shares in the company at the end of 2024.

Appointment and dismissal of management board members

The appointment and dismissal of members of the management board of Adtran Networks SE follows the provision of the Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European company (SE) (“SE Regulation”) (Art. 39 para. 2, 46 para. 1 SE Regulation), the German Stock Corporation Act (sections 84, 85 AktG in conjunction with Art. 9 para. 1 lit. c) (ii) SE Regulation) and the provisions in section 6 of the company's current Articles of Association (last amended by resolution of the Annual General Meeting on June 28, 2024, which was entered in the commercial register on July 9, 2024). According to these articles, in principle the supervisory board appoints the members of the management board and does so for a maximum period of five years. However, it is the company’s practice to appoint the members of the management board for two years only. Repeated appointment is possible. According to the company’s articles of association, the management board of Adtran Networks SE shall regularly consist of two individuals and the supervisory board shall have the right to determine and appoint a higher number of individuals. If the management board consists of more than one individual, the supervisory board may appoint one member of the management board chief executive officer or speaker of the management board and another member his or her deputy.The supervisory board can only revoke an existing appointment for good cause (section 84 para. 4 AktG in conjunction with Art. 9 para. 1 lit. c) (ii) SE Regulation). In the 2024 financial year, no new member of the management Board was appointed and no member of the management board was dismissed. Throughout the entire financial year, the Management board of Adtran Networks SE consisted of Thomas Richard Stanton (Chief Executive Officer), Christoph Glingener (Chief Technology Officer) and Ulrich Dopfer (Chief Financial Officer).

Changes to articles of association

Amendments to the Articles of Association of Adtran Networks SE are subject to the provisions of Art. 59 SE Regulation and Section 179 AktG. Pursuant to section 179 para. 2 sentence 1 AktG, amendments to the Articles of Association of an SE domiciled in Germany generally require a majority of at least three quarters of the share capital represented when the resolution is passed. The reference figure here is the number of votes validly cast in the vote on the resolution to amend the Articles of Association. Amendments to the Articles of Association must therefore be adopted by the Annual General Meeting with a majority of at least three quarters of the valid votes cast. In addition, the provisions in section 4 para. 6 and section 13 para. 3 of the company's current Articles of Association apply, according to which the supervisory board is authorized to resolve certain amendments to the wording of the Articles of Association, in particular to amend the wording of the Articles of Association in accordance with the scope of capital increases from authorized capital and the effectiveness of conditional capital.

Issuance and buy-back of shares

The rights of the management board to issue new shares are regulated in section 4 para. 4 and para. 5k of the articles of association of Adtran Networks SE. According to section 4 para. 4 of the Articles of Association of Adtran Networks SE, the management board, with the consent of the supervisory board, is authorized to issue up to 26,027,250 new shares from authorized capital, amounting to a total of EUR 26,027,250 against cash or contribution in kind with possible exclusion of subscription rights (authorized capital 2024/I). As of December 31, 2024, the authorized capital amounted to EUR 26,027,250, so that the authorization of the management board to issue new shares against cash or contribution in kind with the possible exclusion of subscription rights (subject to the detailed provisions of the current Articles of Association of the company) amounted to 26,027,250 shares or 50.00% of the outstanding shares as of this reporting date. In accordance with section 4 para. 5k of the current Articles of Association of Adtran Networks SE, the company's share capital is conditionally increased by up to EUR 3,491,861 by issuing up to 3,491,861 no-par value bearer shares (ordinary shares) (conditional capital 2011/I). The conditional capital increase solely serves to grant share purchase and similar rights to members of the management board, employees of the company and to members of the management and employees of affiliated companies. This capital increase will only be carried out to the extent that the holders of the subscription rights exercise their right. In 2024, no new shares were created in this way. However, as a result of the exercise of share options, 50,000 new shares were created in 2023. Their issuance was entered in the commercial register on February 13, 2024. As a result, the conditional capital 2011/I was reduced from EUR 3,541,861 to EUR 3,491,861 and the number of shares that can be issued from the conditional capital by the management board was reduced from 3,541,861 to 3,491,861.

Besides, at year-end 2024, according to section 71 para. 1 lit. 8 AktG, the management board was authorized to buy back a maximum of 10.0 % of the existing share capital at the time of resolution of the general meeting or – if this value is lower – at the time the authorization is exercised. This right was granted to the management board by a resolution of the general meeting on June 28, 2024 until June 27, 2029. The shares may be used for all legally permissible purposes; in particular, with the approval of the supervisory board, the shares may be redeemed in whole or in part or transferred in return for contributions in kind, especially in connection with the acquisition of facilities, companies, parts of companies or equity interests in companies. In addition, the shares may be offered to employees of the company or its group companies for purchase or be transferred or, with the approval of the supervisory board, may also be sold in ways other than via the stock exchange under certain conditions.

Significant agreements subject to a change of control

The company is party to a credit agreement under which the company had liabilities of USD 49,000,000 as of December 31, 2024. In the event of a change of control, the credit agreement grants the lenders the right to declare the outstanding amounts immediately due and payable and to terminate the credit facility. The company is party to a factoring agreement that can be terminated by the buyer of the receivables with immediate effect in the event of a change of control.

Combined separate non-financial report

Adtran Networks has chosen to prepare a combined separate non-financial report, which can be found in Part 2 of the Sustainability Report. This part is prepared in accordance with the requirements of Section 315b (3) of the German Commercial Code (HGB) and is hereinafter simplified as the “non-financial report”. This non-financial report is prepared in accordance with § 15c in conjunction with 289c to 289e of the German Commercial Code (HGB) and the EU Taxonomy Regulation[20] and has been subjected to a voluntary limited assurance engagement in accordance with ISAE 3000 (Revised) by KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig regarding the relevant legal requirements. The non-financial report will be published on the website https://www.adtran.com/en/about-us/esg at the same time as the annual report on April 30, 2025.

[20] The EU Taxonomy Regulation (EU) 2020/852 is an EU regulation that defines criteria whether business activities are eligible for being rated as ecologically sustainable. It affects companies that are obliged to publish a non-financial report.

Employees

On December 31, 2024, Adtran Networks had 2,118 employees worldwide, including 41 apprentices (prior year: 2,101 including 44 apprentices).

On average, Adtran Networks had 2,088 employees during 2024, up from 2,069 in 2023. Furthermore, there were 19 and 25 temporary employees working for Adtran Networks at year-end 2024 and 2023, respectively.

Personnel expenses in the group decreased from EUR 221.9 million in 2023 to EUR 208.3 million in 2024, representing 36.2 % and 47.5 % of revenues, respectively.

On December 31, 2024, Adtran Networks SE had 600 employees, thereof 41 apprentices (prior year: 609 employees, thereof 27 apprentices). This corresponds to a total reduction of 9 employees or 1.5 % compared to the previous year.

The breakdown of employees of Adtran Networks SE by functional area is as follows:

	2024	2023	Change
Purchasing and production	157	153	4
Sales, marketing and service	106	109	(3)
Management and administration	93	97	(4)
Research and development	203	206	(3)
Apprentices	41	44	(3)
Total employees	**600**	**609**	**(9)**

Personnel expenses in the Adtran Networks SE slightly increased from EUR 60.1 million in 2023 to EUR 60.2 million in 2024, representing 14.1% of revenues in 2024 compared to 11,8 % in 2023.

The employee compensation packages comprise fixed and, at some hierarchy levels, variable elements and stock units. These compensation packages enable employees to participate appropriately in the success of the group, and support employee retention, while at the same time rewarding individual efforts, teamwork, innovation and productivity. Furthermore, they should also enable individual achievements to be recognized as well as promote team spirit, innovation and productivity. In addition, employees are regularly honored for special achievements and extraordinary commitment through the group's Spot Award program. In addition, the group is committed to offering all employees comprehensive on-the-job training, as well as specific continuing education opportunities in order to advance their personal and professional development.

The group offers different types of continuing education programs based on employee development needs. These needs are identified, documented, and reviewed semi-annually, within an electronic performance appraisal and competency management system.

Within Adtran Networks, all relevant local regulations for health and safety in the workplace are complied with, and in some countries are regularly monitored by independent engineering offices for safety in the workplace.

Adtran Networks is committed to the creation of a workplace free of discrimination and harassment. The group recruits, hires, trains and promotes individuals at all job levels without regard to race, religion, ancestry, sexual orientation, marital status, national origin, age, gender and physical or mental disability. Adtran Networks is committed to a fair and equitable workplace where everyone is a respected and valued member of the team. The group's core values (ONE – Ownership, Nurture and Excellence) guide employees and managers in all business activities.

An efficient employee representation without trade union ties (with a global Works Council - Adtran Networks SE Works Council and a local Works Council - Betriebsrat at the Meiningen site in Germany) is in place on a global basis, reflecting the international employee base and overall orientation of the group.

At its main production and development facility in Meiningen, Germany, Adtran Networks currently provides 41 apprenticeship positions, whereof 27 lead to professions as electronics technician for equipment and systems, industrial management assistant, electronics technician for information and telecommunications systems and as warehouse logistics expert. In Meiningen, Germany, the company is among the most recognized apprenticeship providers for industrial electronics professions in its region for a long time. In addition, Adtran Networks offers a dual study program in Germany which combines a university degree with firmly integrated practical on-the-job work experience in the company. This enables the students to put the knowledge they have learned into practice in a direct context. Currently 14 students are trained within this program.

Risk and opportunity report

Adtran Networks' future development offers a broad variety of opportunities. It is however also subject to risks, which in certain cases could endanger the group's continued existence. The management board has implemented a comprehensive risk management and internal control system that enables the detection of risks in a timely manner and allows the group to take corrective action and to benefit from identified opportunities. An integral aspect of the group's strategy is its ability to anticipate developments in the marketplace and future customer needs. Special emphasis is given to product development, the quality of the group's products and the validation, selection and oversight of key business partners.

Risk management system

Since Adtran Networks was founded as Adtran Networks SE in 1994, its business has become more diversified. The group markets its products and solutions in part via a variety of distribution partners but has become less dependent on these partners over the years due to continued investment in a direct distribution model in core geographies. Beyond focusing on enhancing revenue and profit predictability, a comprehensive risk management system has been established which is coordinated by the Internal Audit and Risk Management function.

Being a globally operating company, Adtran Networks implemented its risk management system on the basis of applicable laws and regulations and by considering common international standards and best practices such as the COSO[21] framework and the ISO[22] 31000 standard. Additionally, it integrates supporting management systems such as especially the group's compliance management. The management board nevertheless recognizes that a risk management system cannot in all cases prevent the occurrence of events that may cause material damage to the group.

Adtran Networks' strategic goals are set by the parent company, Adtran Holdings, Inc. They build the basis for Adtran Networks' risk management system and are organized into four areas: people and culture, growth and profitability, operational efficiency and portfolio and innovation. The strategic goals are reviewed and updated on a yearly basis and constitute the basis for Adtran Holdings' annually updated three year business plan. Adtran Networks' three year business plan is a subset of, and forms an integral part, of Adtran Holdings' three year plan. It is defined by the executive management team of Adtran Networks and reviewed by the supervisory board. Each of the strategic goals is defined in detail and then broken down into specific departmental and individual targets. The strategic goals are traced to each employee so that every individual can focus and be evaluated on the own performance and contribution to Adtran Networks' overall success.

Adtran Holdings, Inc. measures the accomplishment of its strategic goals against revenues and adjusted EBIT[23]. These metrics represent the key performance indicators.[24] Adtran Holdings management board sets target values for these metrics for the year to come and measures actual values against the target values for revenues and adjusted EBIT on a quarterly basis and annually. Corrective action is taken quickly should a deviation from the plan occur or be reasonably predicted to occur. This information is summarized and communicated to the management board in quarterly and yearly reports. Key performance indicators on the Adtran Networks' level are revenues, pro forma EBIT and net cash. All of these metrics are measured quarterly and yearly. The results are presented to, and discussed by the Adtran Networks supervisory board.

Budgets are reviewed on Adtran Holdings level on a monthly basis and adjustments are made if necessary. The Adtran Holdings' accounting, controlling and treasury departments provide to the executive management of Adtran Holdings globally consolidated reports on available cash funds and the development of margins and current assets (e.g., inventories and receivables) on a quarterly basis. These reports also include budgeted, forecasted and actual revenues and expenditures. On the level of Adtran Networks budgets are reviewed quarterly; outcomes of these reviews are reported to the supervisory board. The structure and content of these reports is continuously adapted to the most current requirements.

Adtran Holdings regularly monitors the creditworthiness of its customers, including customers of Adtran Networks, and updates credit limits as needed. Material expenditures and investments must be approved in advance through an electronic purchase order system. In conjunction with continuously updated revenue and cash forecasts, a detailed monthly preview of the anticipated group development within the next three to twelve months is put together and communicated to the management board. Moreover, the group's accounting, controlling and legal departments review potential legal and litigation risks on a quarterly basis in order to obtain a reliable estimate of the potential loss, considering all relevant information and expectations. Adtran Networks' executive management discusses all significant business transactions with the supervisory board and obtains its approval if necessary.

[21] Five major accounting organizations formed a group known as COSO (Committee of Sponsoring Organizations of the Treadway Commission) to provide guidance on evaluating internal control. They issued this guidance as the COSO Internal Control Framework.
[22] ISO is an organization that defines and publishes internationally valid standards. Several of the ISO standards are relevant to Adtran Networks, including 9001 (quality management), 14001 (environmental management system), 22301 (business continuity management), 31000 (risk management) and 50001 (energy management).
[23] Adjusted EBIT is defined as the earnings of the Adtran Holdings group before interest and taxes, determined on the basis of results and adjusted for restructuring costs, acquisition-related costs and amortization of intangible assets, share-based compensation expenses, the non-cash change in fair value of equity interests held under the deferred compensation plan, and any other non-GAAP items approved by the Compensation Committee.
[24] Unaudited information

In order to ensure observance of all applicable laws and regulations and to support the group's ongoing growth and internationalization, Adtran Holdings' executive management implemented a compliance management system which applies to, and integrates, Adtran Networks. Key compliance measures include a code of conduct, a range of group-wide policies, the training of employees and the active encouragement to report suspected incidents of non-compliance and to seek support in case of uncertainties or questions.

All implemented measures and processes of the risk management system as well as of the compliance management system are continuously reviewed and improved.

Adtran Networks differentiates between two main categories of risks and opportunities – those considered major and those considered non-material. A risk or opportunity is considered major if its expected net impact on the group's pro forma EBIT is or exceeds EUR 3 million in terms of Adtran Networks' three-year business plan. If not attributable to the pro forma EBIT, Adtran Networks' net income is used as reference. The expected net impact is calculated by multiplying the potential net impact of a particular risk or opportunity with its net likelihood of occurrence.

For each major risk, the group assigns a dedicated risk owner who is responsible for defining and implementing an adequate and effective response for risk mitigation. Adherence with this process is monitored by Adtran Networks' internal audit and risk management function which conducts structured reviews with each risk owner according to a defined schedule and at a minimum once per quarter. Should any such major risk materialize, the assigned risk owner has the responsibility to immediately report this to the executive management. Independent of specific risk ownership, all employees of Adtran Networks are compelled to escalate additional material risk items directly and informally to Adtran Networks' internal audit and risk management function and the chief financial officer. Management provides Audit Committee with the Risk Report at least once per year. The overall responsibility for risk early warning system lies with the management board.

Based on the outlined analytical tools and processes, Adtran Networks ranked 17 risks as major risks at the end of 2024, which are discussed in detail below.

Adtran Networks' risks are aggregated by means of Monte Carlo simulations. The total risk is compared to Adtran Networks' risk bearing capacity to identify potentially existence-threatening accumulations of risks. In case aggregated risk assessment exceeds risk bearing capacity, the management board is immediately informed to initiate counter measures and to reduce the risk exposure.

Both the internal control system and the risk management system are subject to continuous monitoring of processes and systems. Where weaknesses have been identified, appropriate improvement measures have been implemented to address them and to ensure the ongoing enhancement of these systems and processes.

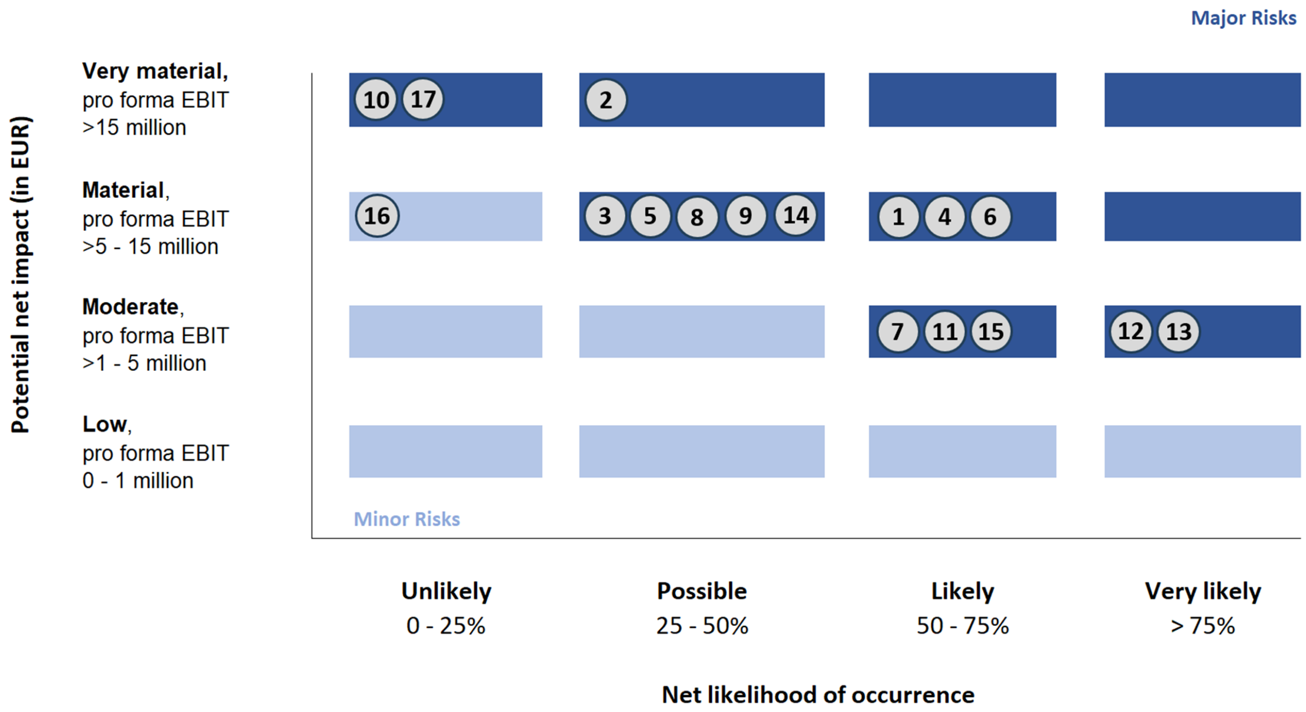
Based on an overall assessment of the adequacy and effectiveness of the internal control and risk management system — taking into account the scope of the company's business activities and its risk environment — there were no indications that these systems are inadequate or ineffective.[25]

The risks and opportunities of Adtran Networks essentially correspond to those of the Adtran Networks group. In addition to the risks listed here, there is also a risk with regards to the fluctuation of income from investments and the recoverability of shares in affiliated companies. Adtran Networks does not consider these risks to be material.

[25] The disclosures in this paragraph are so-called non-management report disclosures. This is unaudited information.

Major risks 2025-2027

1. Geopolitical risks
2. Global economic slowdown (Macroeconomic risks)
3. Uncompetitive product cost
4. Uncompetitive product(s) due to delayed release(s)
5. Uncompetitive product due to technological disruption
6. Financial Risk
7. Excessive or obsolete inventory
8. Inability to retain the talent
9. Legal. Increased exposure to broader regulatory requirements
10. Unsatisfying supplier and manufacturing quality
11. Ransomware, Phishing attack, denial of service attack
12. Exchange rate risks
13. Cybersecurity – product security
14. Risk of operational supply gaps
15. Compliance violations
16. Inability to perform product introductions / homologations
17. Risk of going concern due to financial interdependence and DPLTA obligations



Growth and profitability risks

Geopolitical risks
likely; material (previous year - possible; very material)

This risk encapsulates the potential negative impacts on global and regional markets due to geopolitical tensions, trade disputes, and political instabilities. These factors contribute to an unpredictable business environment, affecting supply chains, market access, and overall economic stability. The global business operations of Adtran Networks are being threatened by conflicts or rising tensions between countries which could lead to sanctions, trade embargoes, or military actions, impacting global trade relations. Among the risk factors are changes in government, policy unpredictability, or internal conflicts within countries that can affect Adtran Networks business operations and market conditions, wars and armed conflicts between countries (such as the continuing Russian invasion of Ukraine) and activities of terrorist organizations (which led to the Israel-Hamas armed conflict). Consequences of this risk realization could be incarnated in difficulties in sourcing materials, increased costs, and delays in production and delivery, restrictions on market entry, increased tariffs, and non-tariff barriers affecting competitiveness and profitability and shifts in consumer preferences and demands due to economic uncertainty or nationalistic sentiments. The executive management of Adtran Networks chose to adopt the following mitigation strategies: reducing when possible the dependency on a single country or region for supplies, adapting business strategies to quickly respond to changing market conditions and continuously monitoring the geopolitical landscape to anticipate and prepare for changes.

Increase of the probability of the risk is connected with the recent announcement dof the new US administration introduces uncertainty regarding future trade relations between the United States and Europe. Changes in trade policy and an expected protectionism could lead to the imposition of new tariffs, non-tariff barriers, or stricter regulatory requirements affecting transatlantic trade. The change of US administration could also exacerbate trade tensions between the U.S. and China. Potential policy actions may include the introduction of higher tariffs, enhanced export restrictions, or additional trade barriers targeting specific sectors, including high-tech industries. Decrease of the impact is explained by fact, that despite potential protectionist measures, demand for broadband and telecommunication infrastructure remains high; the sector is more resilient, which helps buffer the potential revenue loss. In addition, Adtran Networks has engaged in cost-reduction programs and streamlined operations, which reduce the bottom-line impact of any added duties or supply chain hurdles.

Macroeconomic risks
possible; very material (no changes since the last year)

As an international player, Adtran Networks SE is exposed to the economic cycles of many countries and territories worldwide. Economic downturns may lead to reduced demand for telecommunication equipment and, subsequently, a reduction in revenues and margins.

The performance of Adtran Networks faced significant challenges during 2023-2024. During the global semiconductor crisis many customers had built up large inventories to mitigate supply chain risks and were depleting these stocks during the last two years. At the end of 2024 customer demand recovered materializing in increasing order intake. Looking into 2025, executive management expects a further recovery in sales driven by improved supply chain conditions and sustained market demand.

Central banks have started relaxing their monetary policies in Europe and the United States, signaling potential support for economic recovery. In Germany, low inflation is expected to persist, with Deutsche Bundesbank projecting an inflation rate of 2.4% in 2025, decreasing to 2.1% in 2026 and 1.9% in 2027. However, inflation trends in the United States remain uncertain. The new U.S. government is expected to launch programs and measures to support and strengthen the U.S. economy. There is a significant risk that these stimuli may cause inflation to grow thus forcing the U.S. Federal Reserve to a stricter monetary policy. Also, new protectionist measures such as higher duties on imported goods are expected to be introduced which will have an impact on global trade and economy.

Adtran Networks will continue to closely monitor macroeconomic developments and will adjust its strategy and tactical direction accordingly.

Financial risks
likely; material (no changes since the last year)

This risk pertains to the potential failure in effectively managing and executing key financial processes. This includes: transacting with customers, closing financial books, accurately reporting financial results, complying with various regulatory standards (SEC, BaFin, US GAAP, and IFRS), supporting financial audits. The inability to perform these functions can lead to material weaknesses in financial reporting, resulting in significant financial and reputational damage to Adtran Networks. To mitigate this risk management implemented the following: establishing, monitoring and regularly updating financial management systems and controls, process of continuously monitoring compliance with relevant regulations and standards, clear communication pathways between departments involved in financial processes. In addition, financial management ensures that financial staff are well-trained and up-to-date with current regulations and standards. Periodic risk assessments and internal audits are conducted to identify and address potential weaknesses in financial processes and controls. As part of the Adtran group and with the parent company being stock-listed in the US, Adtran Networks is obliged to maintain SOX controls. These controls, introduced in 2023, complemented the existing set of controls. In 2023, Adtran Networks underwent a comprehensive revision of its financial control systems to ensure compliance with SOX requirements following its integration as a subsidiary of NASDAQ-listed Adtran Holdings. This merger initiated a significant reorganization process, which, by the end of 2024, has made substantial progress. Employees at Adtran Networks now demonstrate a deeper understanding of operational and financial processes, resulting in significant improvements in organizational efficiency and the ‘people factor’ compared to a year ago.

Exchange rate risks
very likely; moderate (new risk)

Exchange rate risk, also known as currency risk, refers to the potential for financial losses due to fluctuations in foreign currency exchange rates. For Adtran Networks this risk manifests in several ways:

1. Transaction Exposure that arises from the company's commitments to receive or make payments in foreign currencies.
2. Translation Exposure that pertains to the consolidation of financial statements from international subsidiaries operating in various currencies into the parent company's euro-denominated financial statements. Exchange rate movements can alter the reported value of assets, liabilities, revenues, and expenses of these subsidiaries, affecting the Company's overall financial position and performance.
3. Economic Exposure also known as operating exposure, this involves the long-term impact of exchange rate changes on the company's future cash flows and market value. For example, a sustained appreciation of a foreign currency where a subsidiary operates can increase local costs and expenses, potentially affecting Adtran Networks' profitability in that region.

Adtran Networks employs various hedging strategies, such as forward contracts, to mitigate transaction and translation exposures. Additionally, Adtran Networks prices products in euros where feasible. At the Adtran Holdings level, currency fluctuations provide a natural hedge, balancing financial exposures across the organization. However, in Adtran Networks there is an exchange rate risk with significant impact on the financial performance, as the company's cost of goods sold is primarily denominated in U.S. dollar while sales are primarily conducted in Euro, British pound, and U.S. dollar.

Increased exposure to broader regulatory requirements
possible; material (no changes since the last year)

Due to the expansion to new markets and the globalization of business operations, Adtran Networks faces potential challenges and liabilities of changing and partially exuberant regulatory environments. The group's business is subjected to risk factors such as: new laws or amendments to existing regulations, evolving industry standards, growing public and governmental scrutiny on business practices (e.g., data privacy, environmental impact, and ethical conduct). Adtran Networks responses to these threats by engaging the following strategies: developing a robust compliance framework adaptable to various regulatory environments, educating employees about regulatory requirements and the importance of compliance, keeping abreast of changes in legislation and industry standards, involving experts for consultations and for ensuring understanding of compliance with applicable regulations, integrating regulatory compliance considerations into strategic planning and business decision-making.

Risk of going concern due to financial interdependence and DPLTA obligations
unlikely; very material (this risk was not assessed in the previous year)

Adtran Networks SE operates under a Domination and Profit and Loss Transfer Agreement (DPLTA) with its parent company, Adtran Holdings, Inc. While this agreement provides financial support to Adtran Networks, it also creates a significant interdependence between the two companies. Adtran Holdings, Inc. secured on July 18, 2022 a joint credit facility agreement from a syndicate of banks with a credit limit of up to $400 million. Financial covenants, which refer to financial indicators from the consolidated financial statements of the parent company (Adtran Holdings, Inc.), are part of this credit agreement. The parent company's ability to meet its loan obligations depends on maintaining sufficient cash flow and operational stability. Any financial strain on Adtran Holdings, Inc., such as a breach of loan covenants, could lead to accelerated repayment demands or stricter financial restrictions, potentially impacting its ability to support Adtran Networks, as well as immediate termination of the credit line at the level of Adtran Networks SE.

Additionally, under the DPLTA, Adtran Holdings, Inc. is required to provide equalization payments to minority shareholders of Adtran Networks. If Adtran Holdings, Inc. faces financial difficulties and struggles to meet these obligations, it could result in legal disputes or enforced payments, further exacerbating the parent company's financial challenges.

The management of Adtran Networks has modeled various scenarios regarding the financial and economic development of the Adtran Group and assigned different probabilities to the exercise of the cash compensation right by minority shareholders. Strategic measures aimed at improving profitability, as well as measures to increase liquidity through financing activities and capital release initiatives, were taken into account.

A higher-than-expected redemption of the cash settlement claim could pose risks for Adtran Networks SE, as it could lead to a breach of credit covenants at the level of Adtran Holdings, Inc., resulting in the possible repayment of the credit line granted to Adtran Networks SE. According to current liquidity planning, a breach of the financial covenants at the level of Adtran Holdings, Inc., resulting in the repayment of the credit line granted to Adtran Networks SE, would also result in a liquidity gap at Adtran Networks SE in the first half of 2025. This could result in the possible early termination of the loan granted to Adtran Networks SE. If it is not possible in this situation to obtain a waiver agreement from the banking consortium or to secure financing from a third party, this could lead to a payment default.

To mitigate this going concern risk, both companies are focused on maintaining covenant compliance, enhancing financial and operational performance, and ensuring liquidity planning. Adtran Networks is also exploring measures to strengthen its financial independence and operational resilience, reducing the potential impact of external financial pressures on its business continuity. Due to its potential magnitude, the risk is monitored separately by management.

Portfolio and innovation risks

Uncompetitive product cost
possible; material (no changes since the last year)

Adtran Networks achieves cost advantages through its ability to scale economically and through the optimization of product design. The loss of competitive product cost would drastically reduce the group’s success in winning new business and would have a negative effect on gross and operating margins. The significant pricing pressure for innovative connectivity solutions must be met strategically by improving processes, controls and technology while maintaining adequate R&D budgets, as well as operationally by achieving cost leadership in sourcing product components. A dedicated team identifies competitive price and cost targets for new products, monitors product cost changes throughout the development process and negotiates, tracks and forecasts product and related component costs. The achievement of the annual cost reduction targets for sourcing components is tracked by quarterly status reports. The establishment of parallel production lines in different territories to mitigate geopolitical and supply chain risks leads to an increase in capital expenditures and operational cost. Adtran Networks diligently assesses the advantages and disadvantages of second sources and parallel production lines versus the additional cost incurred.

Uncompetitive product(s) due to delayed release(s)
likely; material (no changes since the last year)

High competition and rapid technological change are the decisive characteristics of the market for innovative connectivity solutions for cloud and mobile services. Continuous success not only requires the identification of innovative solutions for future network and customer requirements by maintaining cost leadership, but to also release such innovations at the projected time as delays may undermine their competitiveness. As a result, Adtran Networks implemented a joint development and operations organization (DevOps) clustered into technology value streams to maximize effectiveness and break up barriers. All value streams operate according to one common tool-supported development process.

Uncompetitive products due to technological disruption possible; material (no changes since the last year)

Adtran Networks' products or services may become uncompetitive as a result of technological advancements and innovations in the market. Technological disruption often leads to appearance on a market of new, more efficient, or more appealing products, which can quickly make existing offerings of Adtran Networks obsolete or less desirable. This risk may realize due to the following internal factors: wrong product strategy, inefficiencies in product development, inadequate resource allocation, poor project management, or technical challenges. External factors that may cause products or services to become uncompetitive are among others: market shifts, regulatory hurdles and the dependency on external partners and suppliers. The risk of a potential technological disruption is remediated by continuous reviews of market and product requirements, implementing efficient product development processes to minimize delays, incorporating risk assessment in the planning stage to foresee and mitigate potential causes of delay, ensuring effective communication and coordination among different departments and external partners and by having backup plans for potential setbacks in the product development lifecycle.

Inability to perform new customer product introductions / homologations unlikely; material (previous year - very likely; material)

For a telecommunications equipment and software producer, the introduction of new products to customers is pivotal for sustaining competitiveness, driving revenue growth and maintaining a technological leadership position in the industry. Should Adtran Networks be unable to solve internal factors such as limited resources, missing features, the inability to react fast enough and to adapt to external factors like changing market demands, evolving regulatory and security requirements and increased competition, the group's development could be impacted negatively. Since some of the group's competitors operate in a broader market and have considerably more resources available due to their greater size, Adtran Networks must continue to focus its efforts on investing in research and development to support customer homologation, ensuring that product quality meets both internal standards and external regulatory requirements and keeping abreast of market trends and customer needs to align product development. In addition, the group has implemented the Issue Tracker. This contrivance is being used by Technical staff and Quality Management Team to track high priority issues, align on status and correctness of the chosen approach. Another tool utilized by an internal integrated business unit is quarterly business reviews (QBR) on which integrated metrics are being analyzed. Adtran Networks also makes special emphasis on improved customer-specific testing and stays updated with changing regulations and ensuring compliance to facilitate smooth homologation. The likelihood of this risk has decreased compared to the previous year due to the establishment of a dedicated team, led by the Chief Technical Officer in collaboration with the sales department, to proactively address potential delays in product homologation and network management integration.

Operational efficiency risks

Operational supply gaps caused by interrupted supply chains possible; material (previous year - likely, material)

Adtran Networks sources product components either based on forecasts or upon receipt of a customer purchase order. Any shortage in the required material can have a significant negative impact on the group's performance. This may be caused by natural disasters which are expected to occur in higher frequency and at larger scales due to the climate change, pandemics, political conflicts, or specific problems of a supplier.

The availability of critical components is centrally planned, monitored and controlled for all the manufacturing sites for a six months' period. Adtran Networks is monitoring the supply situation very closely and is taking actions dependent on changing market conditions.

The reduction in the probability assessment reflects a combination of improved supply chain resilience, diversified sourcing, strategic risk mitigation, and easing global supply constraints. While geopolitical risks remain, Adtran Networks' improved preparedness and supply chain flexibility have lowered the immediate risk of operational supply gaps.

Ransomware, phishing attack, denial of service attack likely; moderate (previous year - very likely; moderate)

The integrity, confidentiality, and availability of our information systems and data remain crucial to the functioning of our business processes and, consequently, to the Company's success. Cyber-attacks against organizations continue to escalate globally in both frequency and sophistication, with midsize companies like Adtran Networks increasingly becoming prime targets.

Germany continues to be significantly affected by cyber extortion attempts. A 2024 survey[26] revealed that cybercrime and sabotage have cost German companies approximately €267 billion in the past year, marking a 29% increase from the previous

[26] The source is: www.bitkom.org/sites/main/files/2024-08/240828-bitkom-charts-wirtschaftsschutz-cybercrime.pdf and www.bitkom.org/Bitkom/Publikationen/Studie-Wirtschaftsschutz

year. Notably, 70% of the targeted companies attributed the attacks to organized crime, with 81% reporting data theft, including customer data, access data, passwords, and intellectual property. In 2024, approximately 52% of German companies within critical sectors, including telecommunications, reported a substantial rise in cyberattacks over the past 12 months.[27]

Cybercrimes are perpetrated by a diverse range of actors, from individual hackers to professional organizations, some operating on behalf of national governments. The motives behind these cyber-attacks are equally varied, encompassing ransom extortion, industrial espionage, and sabotage. Cyber-crimes are committed by a wide range of perpetrators ranging from single hackers to professional organizations partially operating on behalf of national governments. The motives for cyber-attacks are similarly wide ranging from ransom extortion to industrial espionage and sabotage. Preventing from, and combating cyber threats is a never-ending challenge which in Adtran Networks is accomplished by a series of measures.

Adtran Networks employs a comprehensive, multi-layered approach to cybersecurity, combining advanced technology with proactive measures. The strategy includes 24/7/365 SOC monitoring by CrowdStrike, enhanced email security, Next-Gen firewall architecture, and continuous vulnerability scanning for public-facing systems, complemented by internal scans every 30 days. Key tools like CryptoSpike for storage protection, Endpoint Detection and Response (EDR), and DDoS-protective firewalls bolster defenses. Regular backups, software updates, and quarterly cybersecurity training enhance preparedness, while credential protection and specialized identity security tools further safeguard against identity-based threats. This robust framework ensures round-the-clock protection against evolving cyber risks.

Data breach or network/service outages due to a security issue in deployed products
very likely; moderate (no changes since the last year)

This risk involves the possibility of a data breach or a disruption in network or service operations due to security vulnerabilities in products that Adtran Networks has deployed. This can include software, hardware, or online services. Such incidents can lead to unauthorized access to sensitive data, loss of data integrity, and interruption in essential services. Data breach or network/service outages which occur as a result of a security issue in deployed products may lead to a loss of customer’s trust if seen as negligence and could result in claims for compensation. Roadmap commitments might get missed as fixing a severe security issue could absorb R&D resources for a significant time. New shipments might get on hold until the security issue is fixed.

Among the risk factors are important factors such as software and hardware vulnerabilities, inadequate security measures, advanced cyber attacks and third party risks. The impact of incidents could be significant, including customers’ service disruption, loss of sensitive data, financial losses, erosion of customers’ confidence.

The Management of Adtran Networks included various mitigation strategies to control this risk: proper internal secure product development standards (SPLC – secure product life-cycle) are in use, as well as adequate product security incidents response teams (PSIRT) for all products. Adtran Networks utilizes regular security audits and assessments: thorough security reviews of products to identify and address vulnerabilities. Robust security protocols are engaged for implementing strong security measures, including encryption and multi-factor authentication.

Continuous monitoring and incident response planning is being performed: Adtran Networks established systems for continuous monitoring and having a well-defined incident response plan. Employees are being educated on security best practices and the importance of compliance. Vendor and third-party management processes are: ensuring that third-party components and services meet security standards. Monitoring and reporting: implementing systems for ongoing monitoring of security threats and vulnerabilities, and regularly reporting on security status and incidents.

[27] The source is: Statista.com. “How have the number of cyberattacks on your company developed in the past 12 months?”

Excessive or obsolete inventory
likely; moderate (previous year - very likely; moderate)

Adtran Networks normally purchases components based on customer orders or forecasts. However, in some situations such as during the semiconductor crisis, or if lead times of single components heavily exceed standard lead times, Adtran Networks may opt on buying components on stock in order to reduce throughput times and customer lead times. Pre-purchasing materials for products without firm orders bears the risk that customers will not demand relevant products. Pre-ordered materials reserved for a certain customer project is often reusable in other customer projects (standard components). Some components, however, cannot be used in any other customer project (non-standard components). Adtran Networks tries to reduce the pre-purchasing of non-standard materials to a minimum in order to limit the obsolescence risk. Despite our close alignments with customers, careful material demand analyses and other means to limit inventory risks, there is a residual risk that components on stock exceed customer demands or cannot be used in any customer project and cannot be resold to other market players, or can be sold, but at a price below the purchasing cost. In 2024 Adtran Network conducted highly detailed review of the stocks in hand. The Company reduced its stock-levels down to match the updated forecasts.

Unsatisfying supplier and manufacturing quality
unlikely; very material (no changes since the last year)

Adtran Networks' product quality is significantly influenced by its suppliers and contract manufacturers. Failure of a single part may cause the whole system to be dysfunctional. Early detection of component as well as production deficiencies is thus critical for the group's success. Deteriorating quality levels could not only lead to delays in installation, return of products or cancellation of orders, but also to penalties and lawsuits, contract terminations and liability claims. Preventive actions to avoid quality deterioration include close collaboration with key suppliers during the development of critical components, structured and tool-based processes for supplier and manufacturer identification and qualification, robust contracting including adequate indemnifications, and regular audits of key suppliers and all manufacturers. Adtran Networks conducts continuous and thorough monitoring and analysis of product quality KPIs and reviews customer escalations weekly for timely resolution. Quality personnel are dedicated to each product unit and monitors the entire lifecycle of Adtran Networks' hardware and software. Internal and external audits are performed to ensure TL/ISO compliance and that our processes support robust quality practices.

People and culture risks

Inability to retain the talent with the competencies required to meet key objectives
possible; material (no changes since the last year)

The ongoing digital transformation is advancing rapidly, exacerbating the global shortage of skilled talent, particularly within the technology industry. While competition for talent is most pronounced in developed economies, it remains a challenge worldwide, also because of demographic developments. Adtran Networks faces increasing pressure to retain and develop its workforce to safeguard the critical knowledge, skills, and relationships necessary for the development, selling, and maintenance of its innovative products and solutions.

Following the 2023 merger of ADVA and Adtran, Adtran Networks is currently in a post-merger integration phase. Organizational changes and synergies inherent to such mergers can bring some degree of uncertainty among employees, while the blending of two corporate cultures presents additional challenges. Moreover, the integration of systems and processes can lead to increased workloads and stress, further contributing to potentially decreased employee motivation levels and attrition.

Temporary constraints in attracting new talent may arise as some individuals prioritize stability over an evolving work environment. However, organizational transformation can also appeal to highly motivated and creative professionals seeking dynamic career development opportunities. To address these challenges, Adtran Networks remains committed to meeting employee expectations by offering a range of flexible work models, personal and professional development opportunities and fostering a supportive, innovative workplace culture.

Compliance violations
likely; moderate (previous year - likely; material)

Adtran Networks' markets its products and solutions in part via a variety of distribution partners due to required economies of scale, local (legal) requirements and in order to benefit from existing contractual as well as personal relationships and post-sale support organizations and capabilities. While the group's ability to control the partners' activities are limited, compliance violations by intermediaries may, under specific circumstances, be attributed to Adtran Networks. For mitigation, Adtran Networks implemented robust risk-based due diligence procedures including upfront vetting of new intermediaries and periodic reviews and updates. In addition, Adtran Networks' sales agreements contain clauses in which the intermediaries guarantee compliance with the rules. Existing commission-based compensation is tightly controlled and new contracts are avoided where possible.

Adtran Networks also recognizes the potential for legal claims or proceedings arising from allegations of harassment or discrimination in the workplace. Such claims may be initiated by employees, customers, or other stakeholders and can involve matters related to gender, race, age, sexual orientation, religion, disability, or other protected characteristics. Key factors contributing to this risk include the absence of clearly defined and communicated policies, a workplace culture that fails to address inappropriate behavior, and insufficient efforts to advance diversity, equity, and inclusion within the organization.

To mitigate this risk, Adtran Networks has implemented robust measures, including the development and enforcement of comprehensive anti-harassment and anti-discrimination policies. The company ensures accessible, confidential reporting mechanisms are in place and encourages a "speak-up culture" through its Code of Conduct and 24/7 Whistleblower Hotline. Furthermore, all reported incidents are addressed through a prompt, fair, and impartial investigation process, reinforcing the organization's commitment to a safe, inclusive, and respectful work environment.

Minor and financial risks

Beyond the discussed 17 major risks, there is a broad range of minor risks that can also have a negative impact on Adtran Networks. These uncertainties include financial risks as well as the risk of customer defaults, balance sheet risks such as the impairment of intangible assets, and changes in interest rate levels. Uncertainties also exist with regards to the timing of carrier investment cycles and to distribution partnerships, to legal risks pertaining to potential claims under product and warranty liabilities as well as patent rights, to secure confidentiality of personal and business sensitive data. Risks relating to energy supply and risks from possible acquisitions are also worth mentioning. The management board of Adtran Networks does not consider any of these risks or other uncertainties to have a major impact on the group in case of their occurrence.

Changes to the overall risk situation and classified major risks in 2024

The overall composition of Adtran Networks' major risks remains largely unchanged compared to the previous year. The following key risks have remained consistent since their assessment in 2023: Geopolitical Risks, Global Economic Slowdown, Uncompetitive Products Due to Delayed Releases, Inability to Retain Talent, Exposure to Broader Regulatory Requirements and Persistent Multiple Product Issues.

Conversely, the assessment of seven risks has decreased due to the implementation of effective risk-mitigation measures: Financial Risk, Excessive or Obsolete Inventory, Cyber Risks, Data Breach of Deployed Products, Risk of Operational Supply Gaps, Compliance Violations, and Inability to Perform New Product Homologations.

Only two risks have seen an increase in their assessment: Uncompetitive Product Cost and Uncompetitive Product Due to Technological Disruption.

Of the 17 risks identified in this report, 16 were already included in the Company's Risk & Opportunity Report 2023. The Exchange Rate Risk, although newly introduced in 2024, was not previously included in the 2023 report, despite its risk level remaining unchanged. The going concern risk related to DPLTA obligations was first disclosed in the 2024 annual report and was neither identified nor assessed in 2023.

Opportunity identification

The identification of opportunities is largely identical to the processes, tools and concepts as described in the "risk management system" section above. The annual definition of the group's opportunities is supported by the management board, which has regular discussions with key customers and industry thought leaders in order to identify new opportunities and technological trends. Throughout the group, agile processes maximize the group's ability to take advantage of newly identified trends. Current major opportunities are as follows:

Market share gains in Europe
very likely; very material (no changes since the last year)

The Covid-19 pandemic and global supply chain disruptions have underscored the critical role of digitization and secure communication networks in the economy. Meanwhile, escalating geopolitical tensions have prompted a reevaluation of strategies in both politics and business. The use of device technology with questionable origin is now viewed very negatively, and many European countries/companies are actively working to reduce the dependence on large Chinese network equipment suppliers, particularly Huawei, in their networks. Additionally, global supply chain disruptions during the recent global silicon shortage were causing network operators in Europe to re-look at the vendor landscape, which often results in a desire for them to partner with vendors who are "local" on a regional basis. For Adtran Networks, as an established company headquartered in Europe, these new dynamics create additional opportunities. Expanding the company's capabilities in Germany through the opening of the new Terafactory in Meiningen further strengthens Adtran Networks' credibility as a local supplier.

Portfolio cross-selling
very likely; very material (no changes since the last year)

Adtran Networks operates in three distinct technology areas: open optical transmission technology, programmable cloud access solutions and high-precision network synchronization. In addition to a variety of opportunities in each of these technology areas, the group sees a high likelihood of cross-selling these solutions into Adtran Inc.'s customer base. The combined company educates traditional broadband-only customers of Adtran and has started to win cross-selling opportunities.

Additional demand for bandwidth and services through artificial intelligence (AI)
likely; material (no changes since the last year)

Artificial intelligence could become the catalyst for a new optical network build cycle. The largest cloud service providers are constructing gigawatt AI training centers, and communication service providers (CSPs) are responding with connectivity at hundreds of Terabit/s scale. There is a significant bandwidth opportunity to connect the enterprise data lakes with the AI training centers. Optical transport solutions play a pivotal role in supporting emerging AI-driven middle-mile networks by addressing the unique demands of artificial intelligence workloads. In addition to the bandwidth opportunity, Adtran Networks sees that more and more customers are using the company's range of services in the planning, construction and commissioning phase of their high-capacity networks. The company is continuously expanding its service catalog, for example using machine learning and AI to offer new services for improved network resilience. The pandemic and geopolitical tensions have increased the demand for data-driven insights and services to automate and protect networks. Further significant revenue increases are possible.

Information technology security
very likely; material (no changes since the last year)

Large enterprises and government agencies are concerned about the security of their data and business processes and are therefore building new data backup and data storage solutions, which in turn require transmission technology to link sites. In addition, the EU's General Data Protection Regulation (GDPR), which came into force in 2019, is leading to increased data protection requirements for all companies operating in Europe. A few years ago, network technology primarily had to provide cost-effective bandwidth. Today, the focus is increasingly on security. This inevitably has an impact on the technical realization of the cloud as well as customers' selection of manufacturers. Adtran Networks is the one remaining European specialist in optical transmission technology and a reliable partner for thousands of companies. Its ConnectGuard™[28] security portfolio offers customers comprehensive protection in different network scenarios and brings numerous competitive advantages. With the founding of Adva Network Security (ANS) in 2022, the company showed its strong commitment to this highly relevant market. As a German company with strong visibility and presence with data center and network operators worldwide, ANS anticipates a positive market environment with additional opportunities in security-related infrastructure.

[28] Brand name for Adtran Networks' encryption technology, implemented in many of the company's products.

New markets for synchronization solutions
very likely; material (no changes since the last year)

In addition to mobile network operators' increasing demands for high-precision synchronization solutions, Adtran Networks' Oscilloquartz technology is gaining traction in other applications. Most notably, securing critical infrastructure against GNSS[29] failures has become increasingly important, opening opportunities with government agencies and operators of mission-critical infrastructure. Also relevant are the synchronization of global databases of internet content providers, the accuracy of timestamps for financial trading, the synchronization of power grids with distributed generation, time distribution in digital infrastructure deployment, and the synchronization of media networks. All these applications offer additional opportunities for this product portfolio.

Expansion of addressable market and share gains through decarbonization
possible; material (no changes since the last year)

The climate change and resulting threats to our planet are largely driven by the high global CO2 emissions. The transport of goods and people has played a not insignificant role in this. In addition, of course, the energy consumption of communication networks is also increasing as data traffic grows. This creates opportunities for Adtran Networks: on the one hand, communication technology enables numerous economic processes, as well as processes of daily life to function with significantly less mobility. Home office and video conferencing significantly reduce the need for business travel in many industries. The aspect of "green thanks to ICT" – i.e., more resource-efficient processes through the use of communications technology to replace the need for trips and flights – is stimulating network expansions in many countries of the world and having a positive effect on the growth of Adtran Networks' addressable market. On the other hand, Adtran Networks' activities in the area of sustainability are highly advanced. These are described in detail in the separately published sustainability report. The company is making considerable efforts to sustainably improve the energy efficiency of its products and operational processes, which are yielding noticeable results. The company's innovation can reduce the energy consumption of communications networks. Adtran Networks' customers, some of whom have set very ambitious climate targets, benefit from these improvements and appreciate the company's efforts. Now that some countries even require CO2 levies to be paid, this also creates an economic advantage for network operators and, in turn, a competitive advantage for Adtran Networks.

Additional sales opportunities from ongoing market consolidation
possible; material (no changes since the last year)

Vendor consolidation in optical networking technology will continue. Nokia announced on June 27, 2024, that it will acquire Infinera, a supplier of optical networking solutions, in a $2.3 billion deal. The acquisition further reduces the number of competitors in that space and will dilute Nokia's European profile. Adtran Networks is the remaining European specialist in open optical networking technology and has built a positive reputation among its customer base. A consolidated competitive landscape can lead to slower market price erosion and new opportunities for Adtran Networks to win additional customers as a primary or secondary supplier. The merger with Adtran strengthens Adtran Networks' market power and generates additional economies of scale.

Vertical integration for cost reductions in product components and new markets
likely; moderate (no changes since the last year)

Adtran Networks is increasingly investing in the development of optoelectronic components. These investments enable greater vertical integration and greater independence from suppliers. On the one hand, this leads to an improved cost structure for certain functions in Adtran Networks' systems. On the other hand, Adtran Networks benefits from an expansion of the total addressable market (TAM). The pluggable transceiver modules of the successful MicroMux family, as well as the 100ZR module developed jointly with Coherent, a global leader in materials, optics, and lasers, will make an increasing contribution to consolidated revenues and margins in 2025 and beyond, with strong growth potential.

Exchange rate opportunities
very likely, material (new chance)

As explained above in "exchange rate risks", at present, major uncertainties exist about the future development of foreign currency exchange rates relevant for Adtran Networks. These can have a negative as well as a positive impact on Adtran Networks' revenues and results. As Adtran Networks plans the foreign exchange rates at the budgeting time at expected balanced rates, there are equal risks and opportunities resulting from foreign exchange.

[29] GNSS refers to a constellation of satellites transmitting positioning and timing data from space. GNSS receivers determine their location by using that data. By definition, a GNSS provides global coverage.

Changes to the overall opportunity situation and the classified major opportunities in 2024

The company sees itself well positioned to take advantage of various market opportunities, which include increasing demands driven by broadband stimulus, artificial intelligence (AI), information security requirements, and high-precision synchronization required by new customer groups. The efforts of the western developed countries to remove Huawei and ZTE equipment from their networks continue to provide additional opportunities in a consolidating market. With its well-rounded portfolio of hardware, software and service offerings, Adtran Networks has a strong foundation for great performance.

Overall opportunity and risk assessment

Based on careful inspection of the group's opportunity and risk profile at the time of the preparation of the combined management report, the management board of Adtran Networks believes that the group's opportunities offset the risks. Adtran Networks overall balance between opportunities and risks is higher than the one at the time of the publication of the prior year's combined management report. For the risks related to the joint loan agreements with Adtran Holdings Inc., please refer to the risk description in the section "uncertainties related to the going concern" in note (2) of the notes to the consolidated financial statements and to the description of the "risk of going concern due to financial interdependence and DPLTA obligations" in the section "risks and opportunities".

During the first half year 2025, the aggregated risk exceeds the risk bearing capacity. In the remote case that many major risks occur simultaneously and that the damages range on the upper end of the estimations, Adtran Networks SE might run into default. Although the management board considers this scenario as very unlikely, the development of risks and the risk bearing capacity are closely monitored.

Internal controls related to financial reporting

The management board of Adtran Networks is responsible for establishing and maintaining an adequate system of internal controls. It has implemented an internal control system that enables the management board to ensure completeness, accuracy and reliability of financial reporting at group and legal entity level. When designing its internal control system, Adtran Networks used the COSO framework as a key reference and source of guidance. The internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting. No system of internal control over financial reporting, including one determined to be effective, may prevent or detect all misstatements.

Control environment

The control environment is the foundation of the internal control system in every organization. Adtran Networks fosters an environment of openness and integrity with a clear commitment to excellence, competence and the development of its employees. The group's leadership principles of integrity/honesty, decisiveness and respect are based on this philosophy, and the culture is reflected in the overall tone set by the management board. Adtran Networks has a clear organizational structure with well-defined authorities and responsibilities. The bodies charged with the governance and control of the group actively participate in the running and steering of the business. The business is managed on a global basis and run via functional areas. Financial steering of the group and financial stewardship for individual legal entities is handled by the chief financial officer, under the audit committee's guidance.

In 2023 due to the merger with Adtran, which was already listed on NASDAQ, Adtran Networks (ex-ADVA) had devoted considerable effort to ensure its consolidated operations meet the requirements set forth by the Sarbanes-Oxley Act (SOX). In 2023 the focus was on the implementation and testing of new internal controls designed to uphold the standards of financial reporting. In 2024 SOX controls were improved and optimized. Recognizing the importance of these controls in safeguarding the integrity of Adtran Networks financial information, management established a dedicated team to ensure SOX-compliance. This team conducted comprehensive evaluations to identify and mitigate potential risks for financial statements veracity, and performed work to ensure that internal controls over Adtran Networks consolidated financial statements are effective both by design and operationally. Through a combination of targeted control descriptions and training sessions, internal monitoring, and external consultants, Adtran Networks had created an internal control framework that, is focus on ensuring compliance with SOX requirements.

Following the initial year of SOX compliance implementation, the evaluation process has identified several internal controls as deficient. These findings highlight specific areas for enhancement within Adtran Networks' internal control system. In response, corrective measures are being formulated and implemented to address these deficiencies. The organization is focused on strengthening the effectiveness of internal controls and reinforcing compliance with SOX requirements. Improvement efforts are planned for the subsequent financial year, aiming to rectify the identified deficiencies and improve financial reporting framework[30].

Risk assessment

As part of the internal controls related to financial reporting, the risk assessment follows the process described in the "risk management system" section.

Control activities

At an individual entity level, Adtran Networks' larger and more complex business units use an integrated enterprise resource planning solution, which also serves as general ledger system. Information technology controls have been implemented to restrict user access, ensure proper authorization of changes to the system and efficient handling of user help desk requests. Specific processes are defined and applied for the following reporting cycles in these business units: cash reporting, revenue recognition, accounts payable, capitalization of development expenses and recognition of subsidies for research, inventory reporting, fixed assets, payroll and provisions. Adtran Networks carries out monthly analytical reviews and quarterly balance sheet reviews based on a four-eye principle between the local accounting and the consolidation functions.

For the consolidated financial statements, the balance sheet and income statement positions requiring a significant degree of judgment and estimation when being valued are determined and analyzed with the involvement of management. This is the case for impairment testing reviews (annual or when a triggering event occurs), capitalization of development projects (when the industrialization stage is reached) and tax reporting, specifically deferred taxes (quarterly). Adtran Networks additionally carries out monthly intercompany reconciliations as part of the consolidation process and analytical reviews of actual vs. expected results based on a four-eyes principle between the financial planning and the consolidation functions.

All business units follow a set of global accounting policies and reporting guidelines applying to the whole group. The financial statements preparation process is monitored globally via a calendar that is communicated to all involved parties on a monthly basis. Checklists are completed both in the individual business units and at the consolidation level to ensure completeness of all closing steps. Periodic reviews by group management are conducted to detect errors and omissions.

[30] Unaudited information

Information and communication tools

The internal control system at Adtran Networks is supported by tools to store and exchange information, enabling the management board to make informed business decisions about financial reports and disclosures. The following components ensure proper information and communication for financial reporting:

- Accounting systems for individual entities are matched to the degree of complexity of the business unit. For most entities, an integrated enterprise resource planning system, which also serves as general ledger system, is in place. All local accounts are mapped to the group chart of accounts, which is used group-wide.
- The group consolidation is supported by a database tool which is linked to the enterprise resource planning and financial planning systems via interfaces. The global financial planning system is used extensively in analyzing actual vs. expected results and thus monitoring the results of the consolidation.
- Global accounting policies for the more complex financial statement positions of the group and a group chart of accounts for all other positions are available. Accounting policies are updated regularly and are implemented only after a thorough internal review and training.

Internal monitoring

As part of the ongoing monitoring, the chief financial officer is informed about all material misstatements and control breakdowns at group and business unit level on a quarterly basis in the executive summary to the financial statements. The reporting of deficiencies follows the principles of open and transparent communication. Follow-up is ensured through regular meetings where corrective actions are presented.

Internal financial audit

Adtran Networks maintains an internal audit function to regularly assess financial processes and systems.

Based on an annual risk assessment, the internal audit function develops an audit plan proposal for the upcoming year. The proposed plan is presented to, aligned with, and finally ratified by the audit committee. The internal audit function performs internal audit reviews throughout the year according to the audit plan. Audit results are discussed with responsible managers. In case of identified process or system weaknesses, the internal audit function makes recommendations and improvement actions are defined and agreed with the responsible manager(s). The progress of these and their success in removing the identified weaknesses is reviewed by the audit function. The state of internal auditing is reported quarterly to the audit committee and includes feedback about the progress of audits performed versus the audit plan, about the results of terminated audit reviews and about improvements resulting from actions taken.

Outlook

The statements in this chapter apply to the Adtran Networks group as well as to Adtran Networks SE. Further details on the projected market environment, as well as the resulting opportunities, can be found in the “General economic and market conditions” section and in the “Business overview” section.

2024 was one of the most difficult years in the company's history. After the end of the semiconductor crisis and the subsequent normalization of operations and international supply chains, customers' willingness to place orders early and maintain their own risk inventories declined. Customer inventory optimization, combined with hesitant network expansion, led to unusually low and sometimes unpredictable order intake. Furthermore, the persistently high interest rates and borrowing costs negatively impacted customers' willingness to invest.

This complex situation resulted in a decline of annual revenues to EUR 438.1 million in the Adtran Networks group. This 28.6 % decline had a negative impact on the company's profitability and resulted in a pro forma EBIT margin of negative 2.3 %. As stated in the Annual Financial Report 2023, Adtran Networks forecasted- for 2024 a revenue decline of about 25% vs. the prior year as well as a pro forma EBIT in a similar range as in 2023. Despite of the gross margin improvement from 36,1% in 2023 to 37,3% in 2024 resulting from a series of cost reduction measures, and a reduction of operational expenses from EUR 181,5 millions to 167,9 millions, pro forma EBIT ended up in a negative amount compared to positive EUR 39.8 millions or 6,5% of revenues in 2023.

Net debt for Adtran Networks group at the end of fiscal year 2024 was EUR 6.6 million, compared to EUR 42.4 million in the previous year exceeding the forecast of the 2023 Annual Financial Report which assumed a net debt in in the low to mid million range. This significant improvement is primarily due to a reduction in working capital. Moreover, there was a substantial intercompany receivable against Adtran Holdings, Inc. resulting from the loss sharing.

Looking ahead to business development in 2025, the management board expects an improvement in general demand across all product areas. While the still tense political climate, the new US administration's tariff policy, and the comparatively high interest rate level continue to cause uncertainty in the market, it is imperative that progress is made in expanding the communications infrastructure and securing critical infrastructure. Furthermore, new technologies and business models, such as the use of generative AI, are generating additional bandwidth requirements in data networks that can only be met through further investments in network expansion.

In recent years, Adtran Networks has increasingly focused and comprehensively prepared itself technologically for the transformation of networks with the aspects of AI, cloud, mobility, 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. Adtran Networks develops, produces and delivers communication technology for the digital future. According to estimates by industry analysts, the total addressable market for the company was around USD 10.3 billion[31] in 2024 and will grow to USD 12.5 billion by 2028.

Against the backdrop of the aforementioned factors and taking into account the planning parameters, personnel, and exchange rates, the management board expects a revenue growth in the high single-digit or low double-digit percentage range for 2025 for the Adtran Networks group. The Management Board also assumes that, due to the OPEX adjustments achieved in 2024 and ongoing, strict cost control, pro forma EBIT will grow from a negative single-digit percentage in 2024 to a positive single-digit percentage in 2025. The company's objective is rapid debt reduction and consistent compliance with the defined capital management objectives, which are described in Note (36) to the consolidated financial statements. The management board expects the net debt of EUR 6.6 million as of December 31, 2024, to be reduced, or to convert it into a net liquidity position in 2025.

Actual results may differ significantly from expectations if risks materialize or if planning assumptions prove unrealistic. The group's material risks are explained in the “risk and opportunity report” section.

[31] World market excluding China for Metro and Backbone WDM (Omdia, “Optical Networks Forecast”, published November 2024), Access Switching and Ethernet Demarcation, (Omdia: “Service Provider Switching and Routing Forecast”, September 2024) and network synchronization (Adtran Networks own estimates)

Declaration on corporate governance

Compliance with the rules of proper corporate governance is of great importance to Adtran Networks - it is the foundation for the group’s success. According to section 289f and § 315d of the German Commercial Code (Handelsgesetzbuch, HGB) in connection with Principle 23 of the German Corporate Governance Code in the version dated April 28, 2022, Adtran Networks SE is obliged to publish a “declaration on corporate governance”. Adtran Networks publishes the “declaration on corporate governance” on the corporate governance page in the About us / Investors section of its website www.adva.com. The remuneration report for the 2024 financial year and the auditor's report in accordance with Section 162 AktG, the applicable remuneration system in accordance with Section 87a (1) and (2) sentence 1 AktG and the most recent remuneration resolution in accordance with Section 113 (3) AktG are also publicly available there.

Meiningen, April 28, 2025

Thomas R. Stanton

Christoph Glingener Ulrich Dopfer

IFRS consolidated financial statement

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

Consolidated statements of financial position as of December 31, 2024

(in thousands of EUR)	Note	Dec. 31, 2024	Dec. 31, 2023
Current assets			
Cash and cash equivalents	(9)	27,040	30,554
Trade accounts receivable	(10)	108,575	115,615
Thereof receivables from Adtran Holdings, Inc. and its subsidiaries	*(41)*	*7,162*	*980*
Receivables from Adtran Holdings, Inc. due to loss absorption	(41)	47,103	23,934
Contract assets	(12)	211	340
Inventories	(11)	91,142	106,273
Income tax receivable	(28)	3,436	2,995
Other current assets *)	(13)	85,353	77,907
Total current assets		**362,861**	**357,618**
Non-current assets			
Right-of-use assets	(14)	25,525	28,269
Property, plant and equipment	(14)	35,388	39,911
Goodwill	(14)	50,206	64,899
Capitalized development projects	(14)	100,608	104,555
Intangible assets acquired in business combinations	(14)	4,135	5,241
Other purchased and internally generated intangible assets *)	(14)	38,036	26,245
Loans granted	(15)	16,429	—
Deferred tax asset *)	(28)	19,695	19,540
Other non-current assets	(13)	17,120	23,320
Total non-current assets		**307,142**	**311,980**
Total assets		**670,003**	**669,598**

*) 2023 deferred tax assets and liabilities, accumulated profit and net loss as well as other current assets and liabilities and other acquired and internally generated intangible assets in the previous year have been adjusted. Details are explained in Note (4).

(in thousands of EUR)	Note	Dec. 31, 2024	Dec. 31, 2023
Equity and liabilities			
Current liabilities			
Current lease liabilities	(16)	6,047	5,558
Current liabilities to banks	(17)	21,503	13,286
Trade accounts payable	(18)	48,578	43,123
Thereof payables to Adtran Holdings, Inc. and its subsidiaries	(41)	870	1,382
Current provisions	(20)	14,451	18,430
Income tax liability	(28)	2,965	2,173
Current contract liabilities and advance payments	(21)	25,727	25,299
Refund liabilities	(21)	364	612
Other current liabilities *)	(18)	44,511	39,707
Total current liabilities		164,146	148,188
Non-current liabilities			
Non-current lease liabilities	(16)	22,753	25,270
Non-current liabilities to bank	(17)	46,917	—
Non-current financial liabilities to Adtran Holdings, Inc.	(17)	—	52,773
Provisions for pensions and similar employee benefits	(19)	6,169	6,734
Other non-current provisions	(20)	1,146	1,859
Deferred tax liabilities *)	(28)	12,060	2,307
Non-current contract liabilities	(21)	13,220	13,031
Other non-current liabilities *)	(18)	15,425	23,738
Total non-current liabilities		117,690	125,712
Total liabilities		281,837	273,900
Stockholders' equity entitled to the owners of the parent company	(22)		
Share capital		52,055	52,055
Capital reserve		337,158	335,352
Accumulated profit *)		57,879	22,378
Net loss *)		(62,701)	(12,235)
Accumulated other comprehensive income		3,775	(1,853)
Total stockholders' equity		388,166	395,698
Total equity and liabilities		670,003	669,598

*) 2023 deferred tax assets and liabilities, accumulated profit and net loss as well as other current assets and liabilities and other acquired and internally generated intangible assets in the previous year have been adjusted. Details are explained in Note (4).

Consolidated income statements for the financial year January 1 to December 31, 2024

(in thousands of EUR, except earnings per share and number of shares)	Note	2024	2023
Revenues	(23)	**438,085**	**613,671**
Cost of goods sold		(282,258)	(395,109)
Gross profit		**155,828**	**218,562**
Selling and marketing expenses	(24)	(59,569)	(68,526)
Thereof net impairment ((write-up) results on trade accounts receivable and contract assets	(10)	*71*	*339*
General and administrative expenses	(24)	(31,912)	(42,085)
Research and development expenses	(24)	(108,033)	(105,642)
Other operating income	(25)	19,688	11,251
Other operating expenses	(25)	(18,613)	(258)
Operating income (loss)		**(42,612)**	**13,302**
Interest income	(26)	2,118	333
Interest expenses	(26)	(5,106)	(3,614)
Foreign currency exchange gains	(27)	12,708	16,606
Foreign currency exchange losses	(27)	(13,986)	(20,611)
Income (loss) before tax		**(46,878)**	**6,016**
Income tax benefit (expense), net *)	(28)	(15,824)	(18,251)
Net income/(loss) entitled to the owners of the parent company *)		**(62,701)**	**(12,235)**
Earnings per share in EUR	(32)		
basic *)		(1.20)	(0.24)
diluted *)		(1.20)	(0.24)
Weighted average number of shares for calculation of earnings per share			
basic		52,054,500	52,015,913
diluted		52,054,500	52,024,918

*) The 2023 income tax benefit (expense), net and the net loss was corrected according to IAS 8. Details are explained in note (4).

Consolidated statements of comprehensive income

(in thousands of EUR)	Notes	2024	2023
Net income/(loss) entitled to the owners of the parent company *)		**(62,701)**	**-12,235**
Items that may be reclassified to profit or loss in future periods			
Exchange differences on translation of foreign operations		6,021	(1,407)
Items that will not get reclassified to profit or loss in future periods			
Remeasurement of defined benefit plans	(19)	(392)	(974)
Total other comprehensive income/(loss)		**5,629**	**-2,381**
Comprehensive income/(loss) entitled to the owners of the parent company *)	(22)	**(57,073)**	**-14,616**

*) The consolidated net loss for the year and the comprehensive income in 2023 have been corrected. Details are explained in Note (4)

Consolidated cash flow statements

(in thousands of EUR)	Notes	2024	2023
Cash flow from operating activities			
Income (loss) before tax		(46,878)	6,016
Adjustments to reconcile income before tax to net cash provided by operating activities			
Non-cash adjustments			
Amortization of non-current assets	(14)	83,698	68,786
Loss from disposal of property, plant and equipment and intangible assets	(14)	214	418
Stock compensation expenses	(40)	2,160	5,282
Other non-cash income and expenses		1,887	333
Foreign currency exchange differences		1,632	1,297
Changes in asset and liabilities			
Decrease (increase) in trade accounts receivable *)		3,281	11,832
Decrease (increase) in inventories		15,131	22,556
Decrease (increase) in other assets		9,631	(36,213)
Increase (decrease) in trade accounts payable		5,966	(44,987)
Increase (decrease) in provisions		(4,711)	1,200
Increase (decrease) in other liabilities		(4,355)	17,967
Income tax paid and refunded		(4,611)	(9,105)
Net cash provided by operating activities *)		**63,045**	**45,382**

(in thousands of EUR)	Notes	2024	2023
Cash flow from investing activities			
Proceeds from government grants		125	—
Investments in property plant and equipment	(14)	(10,691)	(18,995)
Investments in intangible assets	(14)	(51,804)	(49,229)
Increase in the balance from the purchase of receivables from Adtran, Inc. *)		(5,296)	(3,888)
Investments in loans granted	(15)	(15,272)	—
Interest received		1,561	306
Net cash used in investing activities *)		**(81,377)**	**(71,806)**
Cash flow from financing activities			
Proceeds from capital increase and exercise of stock options	(22)	—	346
Repayment of lease liabilities		(5,551)	(6,370)
Increase in financial liabilities to Adtran Holdings, Inc.		—	75,576
Cash repayment of financial liabilities to Adtran Holdings, Inc.		(53,034)	(22,859)
Proceeds from liabilities to banks	(17)	69,176	10,000
Cash repayment of liabilities to bank	(17)	(25,012)	(66,500)
Increase in financial liabilities from factoring agreements	(17)	8,217	13,286
Cash inflow from loss assumption by Adtran Holdings, Inc.		24,566	—
Interest paid		(5,806)	(3,640)
Net cash provided by/(used in) financing activities		**12,556**	**(161)**
Net effect of foreign currency translation on cash and cash equivalents		2,262	(1,308)
Net change in cash and cash equivalents		**(3,514)**	**(27,893)**
Cash and cash equivalents on January 1		30,554	58,447
Cash and cash equivalents on December 31		**27,040**	**30,554**

*) Net cash provided by operating activities and net cash used in investing activities was corrected according to IAS 8. Details are explained in note (4).

Details on the preparation of the consolidated cash flow statement are included in note (31).

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	Accumulated income/deficit including net income (loss)	Accumulated other comprehensive income (loss)	Total stockholders equity entitled to the owners of the parent company
Balance on January 1, 2023, as disclosed	**52,004,500**	**52,005**	**333,531**	**(16,984)**	**528**	**369,080**
IAS 8 Corrections *)	—	—	—	15,429	—	15,429
Balance on January 1, 2023 (corrected)	**—**	**—**	**—**	**(1,555)**	**528**	**384,509**
Capital increase, including exercise of stock options	50,000	50	296	—	—	346
Stock options outstanding	—	—	1,525	—	—	1,525
Loss absorption by Adtran Holdings, Inc.	—	—	—	*23,934*	—	*23,934*
*Adjusted net loss *)*	—	—	—	*(12,235)*	—	*(12,235)*
Exchange differences on translation of foreign operations	—	—	—	—	*(1,407)*	*(1,407)*
Remeasurement of defined plans	—	—	—	—	*(974)*	*(974)*
Adjusted comprehensive income *)	—	—	—	(12,235)	(2,381)	(14,616)
Balance on December 31, 2023 *)	**52,054,500**	**52,055**	**335,352**	**10,144**	**(1,853)**	**395,698**
Balance on January 1, 2024	**52,054,500**	**52,055**	**335,352**	**10,144**	**(1,853)**	**395,698**
Capital increase, including exercise of stock options	—	—	—	—	—	—
Stock options outstanding	—	—	1,806	—	—	1,806
Loss absorption by Adtran Holdings, Inc.	—	—	—	47,735	—	47,735
Net loss	—	—	—	*(62,701)*	—	*(62,701)*
Exchange differences on translation of foreign operations	—	—	—	—	*6,021*	*6,021*
Remeasurement of defined plans	—	—	—	—	*(392)*	*(392)*
Comprehensive income	—	—	—	(62,701)	5,629	(57,073)
Balance on December 31, 2024	**52,054,500**	**52,055**	**337,158**	**(4,822)**	**3,776**	**388,166**

*) The loss carried forward as at January 1, 2023, the consolidated net loss for the year and the comprehensive income in 2023 as well as the profit carried forward as at December 31, 2023 have been corrected. Details are explained in Note (4)

Details on changes in stockholders' equity are presented in note (22).

Notes to the consolidated financial statements

General information

(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 management board authorized the consolidated financial statements for the year ended December 31, 2024, for issuance on April 28, 2025.

The Adtran Networks group (hereinafter also referred to as “Adtran Networks”, “the group”) develops, manufactures and sells optical and Ethernet[1]-based networking solutions to telecommunications carriers[2] 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.

Significant accounting policies

(2) Basic principles for the preparation of the consolidated annual financial statements

The group’s consolidated annual financial statements for the financial years ended December 31, 2024, and December 31, 2023, are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as applicable in the European Union (EU) in consideration of interpretations of the Financial Reporting Interpretations Committee (IFRIC) and the applicable additional German statutory regulations according to § 315e Abs. 1 HGB. The consolidated financial statements have been prepared on a historical cost basis, except for the fair value measurement through profit or loss of certain financial instruments and share-based payments.

The financial year correlates with the calendar year. The consolidated annual financial statements are presented in euro. Unless otherwise stated, all amounts quoted are in thousands of euros. The balance sheet is separated 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. When items on the balance sheet and in the income statement are summarized in the interest of clarity, this is explained in the notes to the consolidated financial statements.Due to rounding, figures in tables may not add up exactly to the totals shown and percentages shown may not exactly reflect the absolute figures to which they relate.

The annual financial statements of the individual subsidiaries of the holding company Adtran Networks SE, as subsumed in the consolidated annual financial statements, are all prepared using the same accounting and valuation policies and the same balance sheet date.

Adtran Networks SE, which as the parent company prepares the consolidated financial statements in accordance with IFRS, is controlled by Adtran Holdings, Inc., Huntsville, Alabama, USA, as the direct parent company. The consolidated financial statements in accordance with US GAAP of the parent company Adtran Holdings, Inc. can be accessed on the homepage https://investors.adtran.com/financials/annual-reports/default.aspx. Further information can be found in note (41).

Uncertainties related to the going concern

Adtran Networks SE's financing is closely connected with the financing of its parent company, Adtran Holdings, Inc. In addition to the existing domination and profit and loss transfer agreement, a joint credit facility agreement was concluded in 2024, which makes Adtran Networks SE dependent on the development of the parent company.

Adtran Networks SE participates together with Adtran Holdings, Inc. in a credit facility agreement (Senior Secured Credit Facility) concluded with a banking syndicate. Financial covenants relating to key financial figures from the consolidated financial statements of the parent company (Adtran Holdings, Inc.) are part of this credit agreement. In case of a breach of the financial covenants, there is a risk that Adtran Networks SE's credit facility, which was utilized in the amount of EUR 46,917 thousand as of December 31, 2024, may become due.

As noted in the risk report section of Adtran Holdings, Inc.’s annual financial report as of December 31, 2024, published on March 4, 2025, minority shareholders of Adtran Networks SE have the option, under the domination and profit and loss transfer agreement pursuant to Section 305 of the German Stock Corporation Act (AktG), to transfer shares to Adtran Holdings, Inc. in return for a cash settlement of EUR 17.21 per share. A number of minority shareholders initiated a review of the amount of the

[1] Ethernet is a packet-based data transmission protocol with a data rate of 10Mbit/s. Fast Ethernet provides a data rate of 100Mbit/s, Gigabit Ethernet 1Gbit/s and 10 Gigabit Ethernet 10Gbit/s. Today also 40, 100 and 400 Gigabit Ethernet solutions are commercially available with data rates of 40Gbit/s, 100Gbit/s and 400Gbit/s, respectively.

[2] Carriers, in general, are companies that build and maintain communications networks for commercial use. Beyond incumbent telephony companies, these also include new alternative carriers, which were established during the deregulation of the telecommunications market, and special service providers, which offer outsourced services (e.g., software applications or data storage) for enterprise customers.

cash settlement offered as part of so-called award proceedings. The conclusion of these proceedings is not expected within the forecast period of twelve months. The market price of Adtran Networks SE shares is currently significantly higher than the amount of the cash settlement offered, which makes a cash settlement currently unprofitable for investors. Therefore, the management of Adtran Holdings, Inc. does not currently expect a high redemption rate with regard to the cash settlement claim pursuant to Section 305 of the AktG.

In the unlikely event that all minority shareholders would simultaneously exercise their right to cash compensation, a payment obligation of approximately EUR 333.2 million, including interest, would arise, as stated in the annual financial report of Adtran Holdings, Inc. At the time of publication of the report, Adtran Holdings, Inc. did not have sufficient liquidity to settle all cash compensations.

Adtran Networks SE's cash and cash equivalents as of December 31, 2024, amounted to EUR 27,040 thousand. In addition, at the same time, loans to Adtran, Inc., a subsidiary of Adtran Holdings, Inc., amounting to EUR 16,429 thousand and receivables from the profit transfer 2024 amounting to EUR 47,103 thousand were recorded against Adtran Holdings, Inc. The liability under Adtran Networks SE's Senior Secured Credit Facility amounted to EUR 46,917 thousand as of December 31, 2024.

As outlined in the risk and opportunity report of the combined management report of the Adtran Networks Group, scenarios were modeled to reflect different possible financial and economic developments for the Adtran Group and different probabilities of minority shareholders exercising their right to cash compensation. Strategic measures to increase profitability as well as measures to increase liquidity through financing and capital release measures were taken into account. A higher-than-expected redemption of the cash compensation claim could pose risks for Adtran Networks SE, as this could lead to a breach of credit conditions at the level of Adtran Holdings, Inc., resulting in the credit line granted to Adtran Networks SE becoming due. According to current liquidity planning, a breach of the financial covenants at the level of Adtran Holdings, Inc., resulting in the credit line of Adtran Networks SE becoming due, would also result in a liquidity gap for Adtran Networks SE in the first half year 2025. If Adtran Networks fails to obtain a waiver from the banking consortium, does not receive an alternative financing from a third party, or is unable to release cash from owned assets, this instance could lead to a default.

The aforementioned events and circumstances demonstrate that a material uncertainty exists that may cast significant doubt on Adtran Networks' ability to continue as a going concern, and as a result the Company, and consequently the Group, may not be able to realize its assets and meet its liabilities in the ordinary course of its business.

However, as explained above, we consider this risk to be low.

The consolidated financial statements were prepared on the going concern assumption.

(3) Effects of new standards and interpretations

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

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	none
Amendments to IFRS 16	Lease liabilities in a sale and leaseback agreement	Jan. 1, 2024	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 2024

The IASB and the IFRIC have issued further Standards and Interpretations in 2024 and previous years that were not applicable for the financial year 2024. In addition, the first-time adoption is partly 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 - New disclosures on the usage of estimated exchange rate	Jan. 1, 2025	not relevant
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	Jan. 1, 2026	under review
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	Jan. 1, 2026	not applicable
Annual Improvements to IFRS – Volume 11	Annual Improvements to IFRS – Volume 11	Jan. 1, 2026	under review
IFRS 18	Presentation and disclosure in the financials statements	Jan. 1, 2027	under review
IFRS 19	Subsidiaries without Public Accountability: Disclosures	Jan. 1, 2027	under review
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	not defined	not applicable

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

IFRS 18 presentation and disclosure in the financial statements is effective for annual periods beginning on or after January 1, 2027 and will replace IAS 1 presentation of financial statements. The new standard contains the following significant new requirements:

- Entities will be required to classify income and expenses in the income statement in five categories: operating, investing c, financing, income tax and discontinued operations. Companies will also be required to present a newly defined subtotal “operating profit”.
- Certain company-specific performance measures (so-called “management-defined performance measures”, “MPMs”) will be disclosed in a separate note in the financial statements.
- Improved guidelines for grouping information within the financial statements will be introduced. In addition, all companies will be required to use operating profit as the starting point for the cash flow statement when presenting cash flows from operating activities using the indirect method.

Adtran Networks currently evaluates the potential impact of the new standard, particularly with regard to the structure of the consolidated income statement, the cash flow statement and the additional disclosure requirements for MPMs.

(4) Retrospective correction of material errors from previous periods in accordance with IAS 8

Correction of deferred taxes

Due to several methodological errors in the calculation of deferred taxes, a retroactive adjustment in accordance with IAS 8 is necessary.

Among other things, a loss-making year was included in the calculation of deferred tax assets for the German parent company, and a deferred tax liability for goodwill was not considered as a basis for deferred tax assets in the calculation. Furthermore, deferred tax assets arising from the spin-off of the security portfolio in 2022 were not fully recognized.

At a subsidiary in the USA, which regularly generates profits due to transfer pricing agreements, deferred tax assets on existing loss carryforwards were not recognized in sufficient amounts.

The correction of deferred taxes increased deferred tax assets as at December 31, 2023 by EUR 7,797 thousand (as at January 1, 2023 by EUR 12,560 thousand). Furthermore, deferred tax liabilities decreased by EUR 9,911 thousand as at December 31, 2023 (by EUR 2,869 thousand as at January 1, 2023),

The loss carried forward as at January 1, 2023 improved by EUR 15,429 thousand from EUR 16,984 thousand in the previous year's annual report to EUR 1,555 thousand. In the consolidated income statement in 2023, the item “income tax benefit/(expense), net” improved by EUR 2,279 thousand.This resulted in a consolidated net loss of EUR 12,235 thousand in the 2023 financial year after adjustment. Equity as at December 31, 2023 therefore increased by EUR 17,708 thousand.

The consolidated profit/loss carried forward in the changes in stockholders’ equity improved accordingly.Basic and diluted earnings per share for the 2023 financial year increased by EUR 0.04 from the negative EUR 0.28 reported in the previous year's annual report to negative EUR 0.24. The correction had no effect on the consolidated cash flow statement in the 2023 financial year. The correction had no effect on the consolidated cash flow statement in the 2023 financial year.

Correction of software license classification

In the consolidated financial statements for the 2023 financial year, a software license acquired in 2022 was reported under other current assets. It was determined that the definition of an asset in accordance with IAS 38 was met and related liabilities were not fully recognized as liabilities.

Due to the retrospective correction in accordance with IAS 8, the software license was reclassified from other current assets to other acquired and internally generated intangible assets as at January 1, 2023 and corresponding other current and non-current liabilities were recognized in full.

As a result of the correction, other acquired and internally generated intangible assets increased by EUR 4,238 thousand as at December 31, 2023 (by EUR 6,781 thousand as at January 1, 2023). Other current assets also decreased by EUR 259 thousand as at December 31, 2023 (by EUR 149 thousand as at January 1, 2023).

Other current liabilities increased by EUR 2,653 thousand as at December 31, 2023 (by EUR 2,653 thousand as at January 1, 2023) and other non-current liabilities by EUR 1,326 thousand (by EUR 3,979 thousand as at January 1, 2023),

The correction had no effect on the consolidated net profit for the year or on basic and diluted earnings per share for the 2023 financial year. Moreover, the correction had no effect on the consolidated cash flow statement in the 2023 financial year.

Adjustment to the consolidated cash flow statement

As part of the preparation of the financial statements as at December 31, 2024, it was determined that cash inflows and outflows in connection with the purchase of receivables from Adtran Inc. were incorrectly allocated to the categories within the cash flow statement. This results in an increase in net cash provided by operating activities of EUR 7,776 thousand with a corresponding decrease in net cash used in investing activities.

(5) Recognition and measurement

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of purchase is determined by the average method. Production costs include direct unit costs, an appropriate portion of necessary manufacturing overheads and production-related depreciation that can be directly assigned to the production process. Administrative and social insurance charges that can be assigned to production are also considered. Financing charges are not classified as part of the at-cost base. The net realizable value is the estimated selling price that could be realized on the closing date in the context of ordinary business activity, less estimated costs of completion and costs necessary to make the sale.

Inventory depreciation covers risks relating to slow-moving items or technical obsolescence based on applicable net realizable value test. Where the reasons for previous write-downs no longer apply, these write-downs are reversed.

Property, plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation and accumulated impairment losses, if any. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Subsequent costs are included in the asset’s carrying amount or recognized as separate asset only when it is probable that future economic benefits associated with this item will flow to the group and the cost can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings 20 to 39 years
- Technical equipment and machinery 3 to 10 years
- Factory and office equipment 3 to 10 years

No regular depreciation applies for land.

Leasehold improvements are capitalized and depreciated over the expected useful life on a straight-line basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The assets’ residual values, useful economic lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value on the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized, and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful economic lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized on a straight-line basis over the expected useful lives of the assets as follows:

• Capitalized development projects	3 to 5 years
• Intangible assets acquired in business combinations	3 to 9 years
• Other purchased and internally generated intangible assets	3 to 10 years

The carrying amounts of the Group's intangible assets with finite useful lives are reviewed at each reporting date to determine whether there is any indication of impairment. If this is the case, the recoverable amount of the asset is estimated. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at each financial year-end. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with an indefinite useful life are not amortized. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The useful life of an intangible asset with an indefinite life is reviewed at least annually to determine whether the indefinite life assessment continues to be applicable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Apart from goodwill and development projects in progress all intangible assets are amortized over their useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between their disposal proceeds and the selling price of the asset, and they are recognized in the income statement when the asset is derecognized.

Goodwill

An indefinite useful life is assumed for goodwill acquired in the context of business combinations. Impairment reviews are performed at the cash generating unit level on the balance sheet date or when there is an indication that the goodwill may be impaired in accordance with IAS 36. Impairment losses on goodwill recognized in prior periods are not reversed. See note (14).

Intangible assets acquired in business combinations

Intangible assets acquired in business combinations have a finite useful life. They are recognized at fair value at the acquisition date and amortized on a straight-line basis over estimated useful economic lives. They are tested for impairment if an indication exists that the recoverable amount of the asset may have decreased.

The breakdown of intangible assets into individual items is included in note (14).

Capitalized development projects

Development expenses are only capitalized if the development costs can be reliably measured, the project or process is technically and commercially suitable, a future economic benefit is probable and Adtran Networks both intends and has sufficient resources to complete the development and use or sell the asset. Other development expenses are recognized in profit or loss as soon as they are incurred.

Capitalized development projects include all costs that can be directly assigned to the development process. Financing charges are capitalized if the development project represents a qualifying asset in the sense of IAS 23.

After initial recognition of a development project as an asset, measurement is at historical cost, less accumulated amortization and impairment. Depreciation is recognized on a straight-line basis from the start of use in sellable products over the estimated sales periods of the products (generally between three and five years). Ongoing development projects are tested for impairment on level of the smallest cash generating unit on the balance sheet date or when there is an indication of potential impairment. Completed development projects are tested for impairment if there is an indication of potential impairment. Impairment losses are recognized if appropriate.

Research costs are expensed as incurred according to IAS 38.

Impairment of non-financial assets

Intangible assets with indefinite useful economic lives are tested for impairment annually and whenever there is an indication for potential impairment, either individually or at the cash generating unit level. Intangible assets with finite and useful economic lives are tested for impairment whenever there is an indication for potential impairment. Intangible assets are tested either individually or at the cash generating unit level. The impairment test was performed as of December 31, 2024.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

An impairment loss is only recognized if the carrying amount of the asset or respective cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and value in use of the respective asset or cash generating unit. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Government grants

Adtran Networks recognizes government grants for fixed assets as well as for grants related to research projects.

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be met. They are recognized at the amount deemed sufficiently probable. Grants that compensate Adtran Networks for expenses incurred are recognized as other income in profit or loss in the periods in which the expenses are recognized, unless the grant conditions are not met until after the related expenses have been recognized. In this case, the grant is recognized in the period in which the entitlement arises. Where the grant relates to fixed assets, it is recognized as a reduction of purchase or production costs and released as a reduction of depreciation expense over the expected useful life of the related asset.

Grants related to research projects are recognized as other assets if the grant is approved and certified but the payment still outstanding. A respective liability is recorded in the amount of the grant which has been approved at initial recognition and is reversed proportionately in the amount of the expenses incurred for the project purpose in the period in which they were incurred until the defined research tasks are completed. In the cash flow statement, grants related to expenses are reported under cash flow from operating activities. The reduction in acquisition costs from grants for capitalized development projects is shown in cash flow from investing activities.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale (qualifying asset) are capitalized as part of the cost of the respective assets. If borrowing costs cannot be directly attributed to the acquisition, construction or production of an asset, an assessment is made on whether general borrowing costs should be recognized that would have been avoided if the asset was not acquired, constructed or produced. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leasing

The group leases various properties and cars. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. At the inception of the contract, the group assesses whether the agreement constitutes or contains a lease. This is the case if the contract grants the right to control the use of an identified asset in exchange for payment over a specified period. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated until the end of the leasing period on a straight-line basis. If a purchase option is considered reasonably certain, the amortization period corresponds to the useful life.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for early termination of the lease if the exercise of a termination option is considered reasonably certain.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate. This is basically the interest rate that the respective lessee would have to pay in order to raise the necessary borrowed capital to acquire an asset in a similar economic environment with a similar term and security or similar conditions that offers him a comparable right of use.

At commencement date, right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

To optimize lease costs during the contract period, the group sometimes provides residual value guarantees in relation to car leases. The group initially estimates and recognizes amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period.

Post-employment benefits

Adtran Networks maintains defined benefit plans in four countries based on the pensionable compensation of its employees and their length of service. Some of these pension plans are financed through external pension funds. Provisions for pensions are actuarial measured using the projected unit credit method for defined benefit pension plans, considering not only the pension obligations and vested pension rights known at the reporting date, but also expected future salary and benefit increases. The interest rate used to determine the present value of the obligations is generally set based on the yields on high-quality corporate bonds or government bonds in the respective currency area. The return on existing plan assets and expenses for interest added to obligations are reported in finance costs. Service cost is classified as operating expenses. Past service cost not recognized due to a change in the pension plan shall immediately be recognized in the period in which the change took effect. Gains and losses arising from adjustments and changes in actuarial assumptions are recognized immediately and in full in the period in which they occur within other comprehensive income. Further details on recognition and measurement of employee benefits are included in note (19).

In addition, Adtran Networks grants defined contribution plans to employees of some group entities in accordance with statutory or contractual requirements. The payments are made to state or private pension insurance funds. Under defined contribution plans, the employer does not assume any other obligations beyond the payment of contributions to an external fund. The amount of the future pension payments will exclusively depend on the contribution made by the employer (and their employees, if applicable) to the external fund, including income from the investment of such contributions. The amounts payable are expensed when the obligation to pay the amounts is established and classified as operating expenses.

Share-based compensation transactions

As compensation for the work performed, the parent company Adtran Holdings, Inc., Huntsville, Alabama, USA, grants employees of Adtran Networks (including senior executives) share-based payments in the form of equity instruments (equity-settled share-based payments), restricted stock units (RSUs) and performance stock units (PSUs). A recharge agreement was agreed with the parent company in the amount of the actual expenses incurred, which is recorded as personnel expenses and a liability.

Share-based payment arrangements settled through equity instruments of the parent company

From Adtran Networks SE's perspective, all existing share-based payment plans constitute equity-settled share-based payment arrangements. Since Adtran Holdings, Inc., not Adtran Networks SE, has the obligation to deliver shares in Adtran Holdings, Inc. to the beneficiaries, this results in personnel expenses on the one hand, and an increase in the capital reserve on the other.

An agreement was reached with Adtran Holdings, Inc. to pass on the actual expenses incurred. From Adtran Networks SE's perspective, this represents a financial liability, which is recognized directly in equity on an accrual basis due to the shareholder relationship.

Equity-settled transactions

In prior year, Adtran Networks SE granted its employees (including senior executives) share-based payments in the form of equity instruments (equity-settled share-based payments). The cost of equity-settled transactions with employees was measured by reference to the fair value on the grant date. The fair value was determined by an external expert using an appropriate pricing model. Share-based compensation transactions were reported and valued in accordance with IFRS 2. See note (40) for further details.

The cost of equity-settled transactions was recognized, together with the corresponding increase in equity, straight-line over the period in which the relevant employees become fully entitled to the award (vesting date). Vesting period ended with the first exercise possibility. From that day, the employee was entitled to benefit. No expense was recognized for awards that do not ultimately vest, except for awards where vesting was conditional upon market condition, which were treated as vesting irrespective of whether or not market condition was satisfied if all other performance conditions were satisfied.

Where the terms of an equity-settled transaction award were modified, the minimum expense recognized was the expense as if the terms had not been modified if the original terms of the award were met. An additional expense was recognized for any modification that increased the total fair value of the share-based compensation transaction or was otherwise beneficial to the employee as measured on the date of modification.

Where an equity-settled award was cancelled, it was treated as if it vested on the date of cancellation, and any expense not yet recognized for the award was recognized immediately. This included any award where non-vesting conditions within the control of either the entity or the employee were not met.

Provisions

Provisions are recognized when the group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision represents the best estimate of the expenditure required to settle the present obligation.

If the group expects at least a partial reimbursement for an item for which a provision has been recognized, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense related to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision over time is recognized in other financial gains and losses, net.

Share capital

Common stock is disclosed in stockholder’s equity.

Incremental costs directly attributable to the issuance of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Financial instruments

Financial instruments are contracts that give rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Adtran Networks recognizes financial assets and financial liabilities in the balance sheet when a company in the group becomes a contractual party to the financial instrument.

All customary purchases and sales of financial assets are recognized on the trading date, i.e. the date on which Adtran Networks enters into the obligation to purchase the asset.

Financial assets and financial liabilities are generally reported at gross value. Netting only applies if the offsetting of the amounts is legally enforceable and it is intended to actually offset them. In general, Adtran Networks does not intend to offset any amounts.

Financial assets

Adtran Networks financial assets include, in addition to trade receivables, cash and cash equivalents, other receivables, other investments and derivative financial instruments.

Classification

Financial assets are initially allocated to one of the following measurement categories in accordance with IFRS 9:

1. measured at amortized cost
2. measured at fair value through profit or loss
3. measured at fair value through other comprehensive income (debt instruments)
4. measured at fair value through other comprehensive income (equity instruments)

Financial assets that are debt instruments according to IAS 32 are classified based on the business model for managing the financial assets and the contractually agreed cash flows. Debt instruments are classified as amortized cost if the business model “hold to collect” applies and contractual cash flows solely consist of principal and interest on the outstanding redemption. If the business model is based on the collection of contractual cash flows as well as on the sale of the fnancial assets and the cash flows only consist of principal and interest on the outstanding principal amount, the financial assets are classified at fair value through other comprehensive income (FVOCI). Financial assets held for sale and derivative financial instruments that are not designated as hedges, and financial assets that do not consist solely of payments of principal and interest are classified as at fair value through profit or loss (FVTPL).

Debt instruments are reclassified if the business model for managing those assets changes.

For investments in equity instruments that are not held for trading or are a contingent consideration to be paid by the acquirer as part of a business combination in accordance with IFRS, an irrevocable option to account for the equity investments at fair value through comprehensive income (FVOCI) at the time of initial recognition is available. Adtran Networks has not made use of this option.

Adtran Networks classifies receivables that are not subject to factoring, cash and cash equivalents, and rent deposits as financial assets, which are carried at amortized cost. Trade receivables for which a factoring agreement is in place are classified as financial assets at fair value through profit or loss.

Receivables from loss compensation due to existing profit/loss transfer agreements are recognized in the amount of the loss under commercial law to be compensated for the past financial year. On January 16, 2023, a domination and profit and loss transfer agreement with Adtran Holdings, Inc. with an initial term until December 31, 2025 has been registered in the commercial register. The agreement is extended for two further financial years of Adtran Networks (each a “subsequent term”) unless terminated in writing by either party six months prior to the expiry of the initial term or the relevant subsequent term.

The group has not made use of the option to classify financial assets at fair value through profit or loss upon initial recognition. Derivatives are initially recognized and subsequently measured at fair value through profit or loss.

Initial measurement

At initial recognition, the group measures a financial asset at its fair value. Trade receivables are initially measured at the transaction price in accordance with IFRS 15. In the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset are included in the fair value on initial recognition. Transaction costs of financial assets carried at fair value through profit or loss are expensed immediately.

Subsequent measurement

The subsequent measurement of Adtran Networks' financial assets is based on their classification:

1. at amortized cost: Interest income from these financial assets is reported in the financial income using the effective interest method. Currency gains or losses from the translation of financial assets are recognized in the financial result. Gains and losses on derecognition as well as impairment gains and losses are recorded in the income statement,
2. at fair value through profit or loss: Gains or losses on debt instruments, which are subsequently measured at fair value through profit or loss, are included in the income statement as other operating income or expenses in the period in which they arise. Gains and losses on derivatives are recognized in other financial income in the income statement.

The group subsequently measures all equity instruments at fair value. Changes in fair value are recognized in other gains (losses) in the income statement as applicable. The option for measurement in other comprehensive income (OCI) has not been applied.

Impairment

The group assesses expected future credit losses associated with its debt instruments measured at amortized cost based on future expectations. A respective risk provision is recognized.

Financial assets are considered to be in default and credit impaired if there is an objective evidence of impairment. This applies in case of bankruptcy, knowledge of impending insolvency proceedings or if financial assets are overdue more than one year.

Financial assets are written off if there is no reasonable expectation recovering the financial asset. This could be, inter alia, if debtor payments are delayed more than two years or if the debtor fails to commit to a repayment plan. In this case, the gross carrying amount of the financial asset is amortized or derecognized.

General approach

Generally, financial assets are considered as having a low default risk at initial recognition resulting in a 12-month expected credit loss provision. In case of a significant increase in credit risk, the lifetime expected credit losses are recognized. Amongst others debtor's payment delays of more than 30 days or the decrease of the rating are considered an indicator for increase in default risk.

Adtran Networks assesses expected credit losses using the general approach for cash and cash equivalents and material other financial assets, except for trade receivables. Further details are described in note (35) on financial risk management.

Simplified approach

For trade receivables and contract assets with no significant financing component the group applies the simplified approach, which requires lifetime expected credit losses to be recognized from initial recognition of the receivables.

In order to measure expected credit losses, trade receivables are summarized on the basis of common credit risk characteristics considering the region of business and overdue days. The expected credit losses are based on customers' historical payment behavior for a period of three years as well as on historical defaults. These are reviewed once a year and adjusted to take current and future information on macroeconomic elements (e.g. geopolitical events, currency fluctuations, inflation, trade wars, state subsidies) into account, that have an influence on customers' ability to meet their financial obligations.

Contract assets relate to work in progress that has not been invoiced and bears essentially the same risk characteristics as trade receivables. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss ratios for contract assets.

Derecognition

Adtran Networks derecognizes financial assets (or parts of their financial assets where applicable) when the rights to receive cash flows from the financial asset have expired or have been transferred and the group substantially transferred all opportunities and risks associated with the ownership.

Financial liabilities

The financial liabilities of Adtran Networks include trade payables and other liabilities, bank overdrafts, loans and derivative financial instruments. The accounting treatment of lease liabilities is dealt with separately as presented in the section "Leasing".

Financial liabilities from the profit transfer due to existing profit/loss transfer agreements are reported in the amount of the profit in accordance with commercial law to be transferred for the past financial year. On January 16, 2023, a domination and profit and loss transfer agreement with Adtran Holdings, Inc. was entered in the commercial register with an initial term until December 31, 2025. The agreement is extended for two further financial years of Adtran Networks (each a "subsequent term") unless terminated in writing by either party six months prior to the expiry of the initial term or the relevant subsequent term.

Classification

Financial liabilities are initially assigned to one of the following valuation categories in accordance with IFRS 9:

1. measured at amortized cost
2. measured at fair value through profit or loss.

The group has not used the option to designate financial liabilities as "at fair value through profit or loss" on initial recognition of financial liabilities.

Initial measurement

At initial recognition, the group measures a financial liability at its fair value less, in the case of a financial liability not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial liability.

Subsequent measurement

With the exception of derivatives, financial liabilities are generally measured at amortized cost as part of subsequent measurement. In addition, other financial liabilities of Adtran Networks are recognized as follows, depending on their classification:

1. Financial liabilities measured at amortized cost: This category includes trade payables and interest-bearing loans. After initial recognition, these are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as in case of amortization using the effective interest method. Amortization according to the effective interest method is included in interest expenses in the profit and loss account..
2. Financial liabilities at fair value through profit or loss: This category includes derivative financial instruments that are not designated as hedging instruments in accordance with IFRS 9 hedge accounting rules. Gains and losses are recognized in financial income in the income statement

Derecognition

A financial liability is derecognized when it is settled, meaning the obligations specified in the contract are fulfilled, canceled, or expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In case of minor changes in conditions a change in the present value will be considered in profit or loss.

Derivative financial instruments and hedging activities

The group entered into forward rate agreements to hedge foreign currency exposure of expected future cash flows in foreign currency.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in the fair value depend on whether the derivative is designated as a hedging instrument.

The group did not apply hedge accounting rules according to IFRS 9 during the years ended December 31, 2024 and 2023. Thus, changes in fair value of the derivatives are recognized in profit or loss immediately.

Contracts with customers

Revenue recognition

Revenue is recognized when a performance obligation is satisfied, i.e. when control of the goods or services is transferred to the customer. Control is passed either at a point in time or over time.

When hardware is sold control is transferred at a point in time depending on the delivery terms. Software licenses are either sold together with the hardware or sold separately. Control in case of software is transferred when the customer is able to use the software. In the case of software sold separately, revenue is recognized at the point of time.

In case of service level agreements[3] or maintenance contracts as well as period-related software licenses revenue is recognized over a period of time.The customer receives and uses all services at the same time as they are provided by the company. The revenue recognition of Service Level Agreements and maintenance contracts is carried out linearly over the contract period (output-oriented method). This method is appropriate as services are provided at regular intervals and revenue is recognized based on the amount of subscription time.

Bill-and-hold arrangements or consignment stores are recognized when the performance obligation to transfer a product are met and the customer obtains control.

[3] Commitment between a service provider and a client. Aspects of the service such as quality and availability are agreed between the service provider and the service user.

Transaction price

In general, the transaction price is the price from the order further considering the specific arrangements of the underlying contract. For contracts that contain multiple performance obligations, the transaction price is allocated to the individual performance obligations based on the relative individual selling price. The adjusted-market-assessment method is applied. A consideration to be paid to a customer is recorded as a reduction in the transaction price, hence reducing revenues, unless the payment relates to a specific delivery of goods by the customer or service provided by the customer.

The transaction price from a contract may contain fixed and/or variable components. Variable components are included from the Adtran Partner Program (APP). After meeting certain requirements, such as sales targets and certifications, qualified partners collect a Business Development Fund on a quarterly basis, which can be used as a discount or credit.

With regard to financial components, the practical remedy of not considering the effects of a financing component is applied if the maximum duration of the period between transfer of goods or services and payment by the customer does not exceed one year.

The group does not adjust any of the transaction prices for the time value of money.

Contract assets and liabilities

A contract asset is recognized when Adtran Networks has transferred the goods or services. The contract asset is recognized as a receivable if an unconditional payment entitlement of the company exists.

A contract liability is recognized if the company receives the consideration before it has delivered the goods or services. This applies in particular to advance payments for service level agreements and maintenance contracts.

Contract assets and liabilities related to one contract are netted and shown as either contract assets or contract liability.

In addition, certain customers have the benefit of customer loyalty programs which result in the recognition of a contract liability and reduction of revenues based on the relative individual selling price.

Volume rebates can be identified as incentive programs where the company makes a payment to the customer once a specified sales volume has been achieved with the customer. Volume rebates are not related to separate performance obligations but are considered as a variable component of the transaction price.

Customer rights of return are considered in the transaction price based on experience.

The company has made use of the option to recognize all costs in relation to conclude and extend a contract which would be amortized over a period of maximum one year upon activation, directly in profit and loss. This concerns all such costs.

Warranties

Exclusively all warranties are so-called “assurance type” warranties and therefore do not form separate performance obligations. For these essentially legal warranties, accruals according to IAS 37 are considered.

Cost of goods sold

The cost of goods sold comprises the costs incurred in the production and rendering of services. This item subsumes both the direct cost of materials and production directly assignable to a product and indirect (overhead) costs, including the depreciation of production equipment, amortization of production related intangible assets and write-downs on inventories. The cost of goods sold also includes appropriation to the warranty provision and amortization of purchased and self-developped technologies. Income from the reversal of write-downs on inventories reduces the cost of goods sold.

Interest income and expenses

For all financial instruments measured at amortized cost, interest income or expenses are recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are these that are enacted or substantively enacted on the respective balance sheet date.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect to taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the near future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future and no taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed on each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted on the balance sheet date. Future changes in tax rates are recognized on the balance sheet date if their impact is materially certain as part of the tax legislation process.

According to IAS 12.74 deferred tax assets and liabilities have been set off insofar as offsetting qualifications apply.

The best estimate for any uncertain current and deferred income tax items to be recognized is the expected tax payment.

IFRIC 23 clarifies how the recognition and measurement requirements set out in IAS 12 should be applied when there is uncertainty about income tax treatments and includes current and deferred tax assets or liabilities. In accordance with IFRIC 23, uncertain tax treatments may be accounted for separately or together with one or more other uncertain tax treatments. The method that is better suited to predicting the resolution of the uncertainty must be selected. When making the assessment, it must be assumed that a tax authority will examine all amounts that it is authorized to examine and that it has all relevant information for the examination. If it is considered unlikely that the tax authority will accept an uncertain tax treatment, either the most likely amount or the expected value is to be applied to each uncertain tax treatment in order to take account of the effect of the uncertainty, depending on which method is more suitable for predicting the resolution of the uncertainty.

The group companies are subject to income tax in a large number of countries worldwide. When assessing global income tax assets and liabilities, the interpretation of tax regulations in particular can be subject to uncertainty. A different view of the respective tax authorities regarding the correct interpretation of tax standards cannot be ruled out. Changes in assumptions regarding the correct interpretation of tax standards, for example due to changes in case law, are reflected in the recognition of uncertain income tax assets and liabilities in the corresponding financial year.

The group falls under the scope of the OECD "Pillar Two" regulations. The Pillar Two legislation was enacted in Germany and has been in effect since January 1, 2024. The Group is currently applying the exemption for accounting for deferred taxes related to Pillar Two income taxes, which was the subject of the amendment to IAS 12 published in May 2023.

Earnings per share

The group calculates basic and diluted earnings per share in accordance with IAS 33. Basic earnings per share are calculated based on the weighted average number of no-par value shares outstanding during the reporting period. Diluted earnings per share are calculated based on the weighted average number of no-par value shares outstanding during the reporting period, but also including the number of no-par value shares that could come into existence if all stock options that are in the money were exercised on the balance sheet date.

(6) 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.

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.

Assumptions and estimation uncertainties

Information on assumptions and estimation uncertainties as at the reporting date, which may give rise to a significant risk that a material adjustment to the carrying amounts of recognized assets and liabilities will be required within the next financial year, is included in the notes below:

Valuation of inventories

Inventories are valued at the lower of cost or net realizable value.The net realizable value is the estimated selling price that could be realized on the closing date in the context of ordinary business activity, less estimated costs of completion and costs necessary to make the sale. Estimates of the net realizable value have to be based on the most reliable information at the time the estimates are made. Inventory depreciation covers risks relating to slow-moving items or technical obsolescence. Application of moving average price or net realizable value as well as consideration of risks in the inventory depreciation is subject to estimates that have a significant effect on the carrying amount of inventories. See note (11) for the carrying amounts involved.

Impairment of non-financial assets

The group assesses whether there are any indicators of impairment for all non-financial assets on each reporting date. If there are indications of impairment, the cash-generating unit concerned is subjected to an impairment test. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Assets not available for use are tested for impairment in accordance with the requirements of IAS 36.10(a) using annual impairment tests at the level of the cash-generating unit. See note (14) for estimation assumptions made and the corresponding carrying amounts.

Government grants

When accounting for expense-based grants from public bodies, an estimate is made at the beginning, based on past experience, of the amount of the promised grant that can be utilized. The assumption made is reviewed regularly. If necessary, an adjustment is made for all or only for specific funding projects if special circumstances apply. The corresponding receivables and liabilities are presented in notes (13) and (18).

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 income tax liabilities, 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.

If there is no history of losses within the meaning of IAS 12.31, 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. Please refer to note (28) for the calculation of the amount of deferred tax assets.

Judgement

Information about judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes below:

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). Further information on right-of-use assets and lease liabilities can be found in notes (14) and (16).

Development expenses

Development expenses are capitalized in accordance with the accounting policy described in note (5). 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. The amount capitalized is determined by the project costs incurred In determining the determination of the recoverability of the capitalized amounts, 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 (14) for the carrying amounts involved.

(7) Principles of consolidation, scope of consolidation and shareholdings

Subsidiaries are all entities over which Adtran Networks SE directly or indirectly has control. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated at the date when the control ends. Adtran Networks SE controls an entity when it is exposed to or has the rights to variable returns from its involvement and has the ability to affect those returns through its power to direct the activities of the entity.

Intercompany revenues, expenses, income, receivables and payables within the group are eliminated.

Intercompany profits that arise from deliveries of products and services provided within the group are eliminated.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquirees identifiable net assets. Acquisition costs incurred are expensed.

When a group company acquires a business, it assesses the financial assets and liabilities acquired for appropriate classification and designation in accordance with the contractual terms, economic circumstances and relevant conditions on the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value on the acquisition date. Subsequent changes in the fair value of contingent considerations that represent an asset or liability are recognized in the income statement in accordance with IFRS 9.

Goodwill is initially measured at cost being the excess of the consideration transferred over the group’s net identifiable assets acquired and measured at fair value as well as liabilities assumed and measured at fair value. If this consideration is lower than the fair value of the net assets of the company acquired, the difference is recognized in profit or loss after reassessment.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group’s cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and where part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Scope of consolidation

According to §315e HGB, the consolidated financial statements for the year ended December 31, 2024, include the financial statements of Adtran Networks SE plus all of the 19 (prior year: 20) wholly owned subsidiaries listed below (hereafter collectively referred to as “the group companies”):

(in thousands)		IFRS equity	IFRS net income/ (loss)	Share in equity owned directly	Share in equity owned indirectly
Adtran Networks North America, Inc., Norcross/Atlanta (Georgia), USA (Adtran Networks North America)	USD	81,863	(7,688)	— %	100 %
Adtran Networks (UK) Ltd., York, United Kingdom (Adtran Networks York)	GBP	9,385	1,370	100 %	— %
Oscilloquartz SA, Saint-Blaise, Switzerland (OSA Switzerland)	CHF	5,863	1,038	100 %	— %
Adtran Networks Spolka z o.o., Gdynia, Poland (Adtran Networks Poland)	PLN	70,198	4,389	100 %	— %
Adtran Networks Israel Ltd., Ra’anana/Tel Aviv, Israel (Adtran Networks Israel)	ILS	12,992	3,151	100 %	— %
Adtran Networks (Shenzhen) Ltd., Shenzhen, China (Adtran Networks Shenzhen)	CNY	35,131	2,551	100 %	— %
Oscilloquartz Finland Oy, Espoo, Finland (OSA Finland)	EUR	327	35	100 %	— %
Adtran Networks Service (Shenzhen) Ltd., Shenzhen, China (Adtran Networks Service)	USD	1,713	174	— %	100 %
Adtran Networks Singapore Pte. Ltd., Singapore (Adtran Networks Singapore)	SGD	2,930	753	100 %	— %
Adtran Networks Hong Kong Ltd., Hongkong, China (Adtran Networks Hongkong)	USD	1,260	56	— %	100 %
Adtran Networks IT Solutions India Private Limited, Gurgaon, India (Adtran Networks India)	INR	370,652	68,299	1 %	99 %
Adtran Networks Serviços Brasil Ltda., São Paulo, Brazil (Adtran Networks Brazil)	BRL	2,909	169	99 %	1 %
Adtran Networks Japan Co., Ltd., Tokyo, Japan (Adtran Networks Japan)	JPY	102,396	3,543	100 %	— %
Adtran Networks AB, Kista/Stockholm, Sweden (Adtran Networks Sweden)	SEK	5,489	1,800	100 %	— %
ADVA NA Holdings Inc., Norcross/Atlanta (Georgia), USA (ADVA NA Holdings)	USD	60,711	(1)	100 %	— %
Adtran Networks Pty Ltd., Sydney (New South Wales), Australia (Adtran Networks Australia)	AUD	1,788	63	— %	100 %
Adtran Networks B.V., Hilversum, Netherlands (Adtran Networks Netherlands)	EUR	349	20	100 %	— %
Adtran Networks Canada Inc., Ottawa, Canada (Adtran Networks Canada)	CAD	4,538	423	100 %	— %
ADVA Network Security GmbH, Berlin, Germany (ANS)	EUR	52,438	5,774	100 %	— %

Due to a factoring agreement, a special purpose entity, True Value S.á r.l./Compartment 8, Luxembourg, is included in the consolidated financial statements in addition to the subsidiaries listed above (see also note (10)). That resulted in particular in the recognition of trade receivables amounting to EUR 13,340 thousand (prior year: EUR 15,233 thousand), purchased receivables from Adtran, Inc. amounting to EUR 9,184 thousand (prior year: EUR 3,888 thousand), that are included in other current assets in 2024 and were reported under trade receivables in the previous year, as well as current financial liabilities amounting to EUR 21,503 thousand (prior year: EUR 13,286 thousand). Adtran Networks SE does not hold an equity interest in this company. Adtran Networks determines the main relevant activities in this entity despite not having an equity interest and thus influences the variable returns.

Changes in the scope of consolidation

In 2024, ADVA IT Solutions Pvt. Ltd., Bangalore, India, was merged into Adtran Networks India (before ADVA Optical Networking India). The company had already discontinued its business activities in previous years or transferred them to Adtran Networks India. The transfer of the remaining assets and liabilities in the current financial year had no impact on the consolidated income statement or on the net assets and financial position of Adtran Networks.

There were no further changes to the scope of consolidation in 2024.

(8) Foreign currency translation

The functional currency of each group company is the currency of the main economic environment in which the company operates. The reporting currency of Adtran Networks' consolidated financial statements is the functional currency of the parent company, Adtran Networks SE (euro).

Currency translation on entity level

Transactions in foreign currencies are initially recorded by the group entities at their respective functional currency rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates on the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates on the date when the fair value is determined. The exchange differences arising from the translation are recognized in profit or loss in financial income/ expense.

Currency translation on group level

The assets and liabilities of foreign operations are translated into euro at the rate of exchange prevailing on the reporting date, the equity items at the respective historical exchange rates. Items in the income statements are translated at the average rate for the reporting period. The exchange differences arising from the translation are recognized in accumulated other comprehensive income. On disposal of a foreign operation, the component of accumulated other comprehensive income related to that particular foreign operation is recognized in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The relevant exchange rates for translating foreign operations into the reporting currency are as follows:

	Closing rate Dec. 31, 2024	Closing rate Dec. 31, 2023	Average rate Jan. 1 to Dec. 31, 2024	Average rate Jan. 1 to Dec. 31, 2023
AUD	1.67560	1.62630	1.63960	1.62743
BRL	6.47600	5.36180	5.80167	5.39942
CAD	1.50350	1.46420	1.48167	1.45932
CHF	0.94350	0.92600	0.95236	0.97158
CNY	7.62340	7.85090	7.78589	7.65028
GBP	0.82950	0.86905	0.84662	0.86957
ILS	3.81200	3.99930	4.00291	3.98083
INR	89.26850	91.90450	90.52907	89.27303
JPY	164.57000	156.33000	163.72561	151.49295
PLN	4.26550	4.33950	4.30520	4.54068
SEK	11.48650	11.09600	11.43201	11.46644
SGD	1.41660	1.45910	1.44565	1.45180
USD	1.04440	1.10500	1.08202	1.08105

Notes to the consolidated statement of financial position

(9) 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 from the date of acquisition and that are readily convertible to a known amount of cash and only subject to an insignificant risk of changes in value.

On December 31, 2024, cash of EUR 3,991 thousand (December 31, 2023: EUR 2,545 thousand) is held in China and is subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

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

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

(10) Trade accounts receivable

Trade accounts receivable are non-interest-bearing and are due within 30 to 120 days in general. No cash discount is granted in case of early payment. Generally, deliveries are made with Incoterm FCA (free carrier). For specific projects, other payment and delivery terms may be agreed.

Gross and net trade accounts receivable are as follows:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Gross trade accounts receivable	**111,169**	**119,102**
Allowance for expected credit losses	(2,594)	(3,487)
Net trade accounts receivable	**108,575**	**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)	2024	2023
Jan. 1	**3,487**	**3,896**
Increase of risk provision	—	—
Release of risk provision	(132)	(339)
Addition of specific allowances	61	—
Usage	(928)	(7)
Foreign currency translation effects	106	(63)
Dec. 31	**2,594**	**3,487**

Further information on default risk from trade accounts receivable is included in note (35) on financial risk management.

In Q4 2023, the group transitioned from the pre-existing revolving factoring agreement to a joint receivable purchase and servicing agreement together with the sister company Adtran Inc., Huntsville, Alabama, USA, as an additional seller. The new agreement resulted in the requirement to consolidate a special purpose entity. On December 31, 2024, the consolidation resulted in the recognition of trade receivables of EUR 13,340 thousand (December 31, 2023: EUR 14,882 thousand). We refer to note (7).

(11) Inventories

The table below summarizes the composition of inventories:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Raw materials, supplies and work in progress	31,398	40,623
Finished goods	59,744	65,650
	91,142	**106,273**

In 2024, impairment of inventories amounting to EUR 8,428 thousand (prior year: EUR 11,825 thousand) was recognized as an expense within cost of goods sold. This amount includes reversals of earlier write-downs amounting to EUR 1,339 thousand (prior year: EUR 770 thousand) due to higher selling and input prices.

In 2024 and 2023, material costs of EUR 165,648 thousand and EUR 280,371 thousand, respectively, have been recognized.

As part of a credit facility agreement, security rights were granted on significant parts of inventories. Please refer to note (37).

(12) Contract assets

Contract assets amounting to EUR 211 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.

(13) Other current and non-current assets

Other current assets are as follows:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Non-financial assets		
Advance payments to contract manufacturers	37,088	49,489
Prepaid expenses *)	5,182	3,854
Receivables due from tax authorities	4,884	2,682
Receivables related to warranty services	—	1,506
Other	272	778
Total current non-financial assets	**47,425**	**58,308**
Financial assets		
Receivables from Adtran Holdings, Inc. from loss absorption	47,103	23,934
Government grant allowances for research projects	24,043	18,854
Receivables from sale of debt instruments of Adtran, Inc.	9,184	0
Positive fair values of derivative financial instruments	545	5
Duty refund	1,505	—
Insurance reimbursements	1,113	—
Other	1,537	763
Total current financial assets	**85,032**	**43,557**
	132,457	**101,866**

*) Prior period information adjusted according to IAS 8. For further details see note (4).

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

Receivables related to warranty services in the prior year include expected returns of parts replaced in advance.

Due to materiality reasons, no impairment for expected credit losses was considered for receivables from loss absorption or to receivables from the sale of debt instruments of other entities.

With regard to the receivable from the sale of Adtran, Inc. debt instruments, please refer to the comments in note (7).

Further information on the profit and loss transfer agreement with Adtran Holdings, Inc. and on derivative financial instruments can be found in notes (22) and (34) respectively.

Other non-current assets are as follows:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Financial assets		
Government grant allowances for research projects	15,187	21,411
Rent deposits	1,839	1,768
Other	95	141
Total non-current assets	**17,120**	**23,320**

On December 31, 2024, government grants for 26 research projects are recognized (December 31, 2023: 23 research projects). These public grants relate to programs promoted by the EU and national governments. Due to the high credit ratings of the funding providers, which are exclusively state institutions, Adtran Networks does not expect any defaults.

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

On December 31, 2024 and 2023, no non-financial non-current assets have been reported.

The classification of financial instruments according to IFRS 9 is included in note (34).

(14) Fixed assets

The following changes in fixed assets were recorded in 2024 and 2023:

	Historical cost						Accumulated depreciation							Net book values	
(in thousands of EUR)	Jan. 1, 2024	Addi-tions	Dispo-sals/ retire-ments	Re-classi-fica-tions	Currency trans-lation adjust-ments	Dec. 31, 2024	Jan. 1, 2024	Depre-ciation of the period	Impair-ment of the period	Depre-ciation on disposals/ retire-ments	Re-classi-fica-tions	Currency translation adjust-ments	Dec. 31, 2024	Dec. 31 , 2024	Dec. 31 , 2023
Right-of-use assets															
Leased cars	4,096	882	—	—	53	5,030	2,158	978	—	—	—	33	3,168	1,862	1,939
Leased premises	44,420	4,576	(5,965)	—	1,272	44,304	18,090	5,289	—	(3,437)	—	698	20,641	23,663	26,331
	48,517	**5,457**	**(5,965)**	**—**	**1,325**	**49,334**	**20,247**	**6,267**	**—**	**(3,437)**	**—**	**731**	**23,809**	**25,525**	**28,269**
Property, plant and equipment															
Land and buildings	28,068	1,180	(3)	138	295	29,678	15,034	1,276	—	(3)	—	240	16,547	13,131	13,035
Technical equipment and machinery	136,292	8,360	(3,154)	178	3,058	144,734	114,428	10,933	—	(2,973)	—	2,833	125,222	19,512	21,864
Factory and office equipment	18,833	1,072	(459)	2	440	19,889	15,832	1,489	—	(427)	—	394	17,289	2,600	3,001
Assets under construction	2,011	79	—	(1,954)	7	144	—	—	—	—	—	—	—	144	2,011
	185,205	**10,691**	**(3,616)**	**(1,635)**	**3,800**	**194,445**	**145,294**	**13,698**	**—**	**(3,402)**	**—**	**3,468**	**159,058**	**35,388**	**39,911**
Intangible assets															
Goodwill	120,153	—	—	—	4,673	124,827	55,254	—	17,371	—	—	1,996	74,621	50,206	64,899
Capitalized development projects	391,179	36,490	—	—	—	427,669	286,624	40,437	—	—	—	—	327,061	100,608	104,555
Thereof capitalized development projects in progress	*39,214*	*4,648*	—	*(29,647)*	—	*14,215*	—	—	—	—	—	—	—	*14,215*	*39,214*
Intangible assets acquired in business combinations	78,131	—	—	—	3,022	81,153	72,891	1,360	—	—	—	2,767	77,018	4,135	5,241
Other purchased and internally generated intangible assets	92,236	14,781	(78)	1,635	294	108,868	65,991	4,565	—	(77)	—	282	70,761	38,107	26,245
Thereof internally generated intangible assets in progress	*18,927*	*7,531*	—	*(18,392)*	—	*8,066*	—	—	—	—	—	—	—	*8,066*	*18,927*
	681,699	**51,271**	**(78)**	**1,635**	**7,989**	**742,517**	**480,760**	**46,362**	**17,371**	**(77)**	**—**	**5,045**	**549,461**	**193,056**	**200,939**
	915,421	**67,419**	**(9,659)**	**—**	**13,115**	**986,296**	**646,302**	**66,327**	**17,371**	**(6,916)**	**—**	**9,244**	**732,327**	**253,969**	**269,119**

	Historical cost						Accumulated depreciation							Net book values	
(in thousands of EUR)	Jan. 1, 2023	Additions	Disposals/ retirements	Reclassifications	Currency translation adjustments	Dec. 31, 2023	Jan. 1, 2023	Depreciation of the period	Impairment of the period	Depreciation on disposals/ retirements	Reclassifications	Currency translation adjustments	Dec. 31, 2023	Dec. 31, 2023	Dec. 31, 2022
Right-of-use assets															
Leased cars	2,698	1,470	(46)	—	(26)	4,096	1,366	847	—	(46)	—	(10)	2,158	1,939	1,332
Leased premises	34,658	17,047	(6,933)	—	(352)	44,420	17,356	5,264	—	(4,412)	—	(119)	18,090	26,331	17,302
	37,357	**18,517**	**(6,979)**	**—**	**(377)**	**48,517**	**18,723**	**6,111**	**—**	**(4,458)**	**—**	**(129)**	**20,247**	**28,269**	**18,634**
Property, plant and equipment															
Land and buildings	19,143	3,358	(166)	5,779	(45)	28,068	14,257	980	—	(166)	—	(38)	15,034	13,035	4,885
Technical equipment and machinery	126,207	11,789	(2,324)	693	(72)	136,292	104,422	12,051	—	(1,916)	—	(128)	114,428	21,864	21,785
Factory and office equipment	17,472	1,878	(477)	—	(39)	18,833	14,801	1,526	—	(468)	—	(27)	15,832	3,001	2,671
Assets under construction	6,570	1,970	—	(6,528)	—	2,011	—	—	—	—	—	—	—	2,011	6,570
	169,391	**18,995**	**(2,967)**	**(57)**	**(156)**	**185,205**	**133,480**	**14,558**	**—**	**(2,549)**	**—**	**(194)**	**145,294**	**39,911**	**35,911**
Intangible assets															
Goodwill	121,370	—	—	—	(1,217)	120,153	50,063	—	4,553	—	—	638	55,254	64,899	71,307
Capitalized development projects	345,359	45,820	—	—	—	391,179	247,384	39,241	—	—	—	—	286,624	104,555	97,975
Thereof capitalized development projects under construction	*36,739*	*18,043*	*(836)*	*(14,732)*	—	*39,214*	—	—	—	—	—	—	—	*39,214*	*36,739*
Intangible assets acquired in business combinations	78,557	—	—	—	(426)	78,131	70,038	3,269	—	—	—	(416)	72,891	5,241	8,519
Other purchased and internally generated intangible assets *)	93,241	3,409	(4,339)	57	(132)	92,236	66,856	3,598	—	(4,339)	—	(124)	65,991	26,245	26,385
Thereof internally generated intangible assets under construction	*17,911*	*1,509*	—	*(492)*	—	*18,927*	—	—	—	—	—	—	—	*18,927*	*17,911*
	638,528	**49,229**	**(4,339)**	**57**	**(1,775)**	**681,699**	**434,341**	**46,108**	**4,553**	**(4,339)**	**—**	**98**	**480,760**	**200,939**	**204,187**
	845,275	**86,740**	**(14,286)**	**—**	**(2,309)**	**915,421**	**586,544**	**66,776**	**4,553**	**(11,346)**	**—**	**(225)**	**646,302**	**269,119**	**258,732**

*) Prior period information adjusted according to IAS 8. For further details see note (4).

Right-of-use assets

Lease terms of between 36 and 120 months were applied considering the minimum rental periods and contractual extension options. In 2024, depreciation of EUR 978 thousand for vehicles (2023: EUR 847 thousand) and EUR 5,289 thousand for office and building rentals (2023: EUR 5,264 thousand) are included in operating profit. No impairment losses were recognized in 2024 and 2023.

In 2024 an amount of EUR 667 thousand, which relates to short-term leases is recognized in profit and loss (2023: EUR 1,006 thousand). In addition, in 2024 variable payments of EUR 3,252 thousand were not included in the measurement of lease liabilities and are also recognized in profit and loss (2023: EUR 3,308 thousand). These mainly relate to operating costs and maintenance of leased assets. 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.

Further information on the corresponding lease liabilities is provided in note (16).

Property, plant and equipment

The classification and changes in property, plant and equipment are shown in the analysis of changes in fixed assets.

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

As part of a credit facility agreement, security rights were granted on significant parts of the tangible fixed assets. Please refer to Note (37).

Goodwill

The table below shows the composition of goodwill allocated to cash-generating units:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Adtran Networks SE plus	30,187	45,978
Adtran Networks North America	20,019	18,921
	50,206	**64,899**

Impairment of goodwill

The significantly weaker investment behavior of customers in 2024, which was due in particular to customers reducing their inventories built up during the semiconductor crisis and accordingly launching fewer new orders, combined with the lower sales forecast in subsequent years, will lead to lower expected future earnings contributions and lower EBITDA margins. Based on the assumptions made for the cash-generating unit Adtran Networks SE plus, the recoverable amount was EUR 302,449 thousand, which was below the carrying amount. Despite lower capital costs compared to the previous year, this resulted in the recognition of an impairment losses on goodwill in the cash-generating unit Adtran Networks SE plus totaling EUR 17,371 thousand.

Key assumptions used in impairment testing

All entities, which are acting on their own account and are capable to generate cash inflows independently based on own customer relationships and own distribution channels are considered as separate cash-generating units. All dependent development service providing, logistical service and sales service providing entities are considered together with the Adtran Networks SE in one combined cash-generating unit (Adtran Networks SE plus). This as Adtran Networks SE as owner of all technologies is responsible for future developments and utilization and cost-plus contracts exist between the respective companies and Adtran Networks SE for the remuneration of the services. In addition to the research services described, Adtran Networks SE plus produces independently and sells products in the EMEA, Americas and Asia-Pacific markets. For impairment test purposes goodwill is generally allocated to the cash-generating unit in which goodwill was originally allocated on acquisition of the entity. Therefore, 61 % of the goodwill recognized in the course of the acquisition of Overture Networks Inc. has been allocated to Adtran Networks SE plus and 39 % has been allocated to Adtran Networks North America based on fair value of technology and customer relationship at the date of the acquisition. 40 % of customer relationships recognized in the purchase price allocation related to the acquisition of MRV group have been allocated to Adtran Networks North America. The technology from the acquisition of the MRV Communications group was allocated 100 % to Adtran Networks SE plus. Accordingly, the allocation of the relevant goodwill amounted to 77 % : 23 % in cash generating units Adtran Networks SE plus and Adtran Networks North America. Unchanged from prior years, the cash-generating units, to which the corporate assets are allocated, are Adtran Networks SE plus, Adtran Networks York, Adtran Networks North America and OSA Switzerland.

On December 31, 2024 and 2023, the value in use of the goodwill was calculated based on future cash flows (discounted-cash-flow-method). The calculation is most sensitive to the following assumptions:

- Revenue growth
- Pro forma EBIT margins
- Discount rates
- Terminal Value growth rate

Cash flows include the projected cash flows for the four subsequent years as per the approved budget and four-year planning from 2025 - 2028. For further periods, a perpetual income is estimated based on nil growth with inflation offset. The discount rate used for the calculation is calculated according to the Capital Asset Pricing Model (CAPM). The cost of equity is composed of a risk-free interest rate and a specific risk mark-up calculated as the difference of the average market rate of return and the risk-free interest rate multiplied with the specific risk related to the company (beta coefficient). The beta coefficient is calculated on a peer group basis. The calculation uses pre-tax discount rates depending on the different cash generating units.

Following estimates were used to determine the fair value of the cash-generating units:

	2024		2023	
(in %)	Adtran Networks SE plus	Adtran Networks North America	Adtran Networks SE plus	Adtran Networks North America
Average revenue growth p.a.	14.94	7.64	12.59	12.69
Average pro forma EBIT margin p.a.	7.65	4.43	9.97	4.80
Pre-tax discount rate	13.46	13.81	15.87	18.71
Terminal value growth rate	1.00	1.00	1.00	1.00

Sensitivity analysis

A deterioration in the underlying calculation assumptions would result in further impairment requirement in the cash-generating unit Adtran Networks SE plus. In the cash-generating unit Adtran Networks North America, the value in use is significantly higher than the carrying amount.

Capitalized development projects, intangible assets acquired in business combinations and other purchased and internally generated intangible assets

The table below summarizes the carrying amounts:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Capitalized development projects	100,608	104,555
Intangible assets acquired in business combinations	4,135	5,241
Other intangible assets	38,107	26,245
	142,850	**136,041**

Capitalized development projects include expenses related to the development of technologies and products for connectivity solutions for cloud[4] and mobile services, network functions virtualization and synchronization. The capitalized development projects mainly include the development of the SFlexTM 400G Layer-1 Encryption product, with a book value of EUR 16,280 thousand and a remaining useful life of 3 years, which supports the latest SAN/Mainframe applications as well as 64G Fibre Channel technology. Additionally, the other intangible assets mainly include the development of a digital signal processor in collaboration with a partner company, with a book value of EUR 20,466 thousand and a remaining useful life of 10 years, as well as licenses and software.

In 2024, borrowing costs of EUR 1,214 thousand (2023: EUR 1,154 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 %.

Intangible assets acquired in business combinations are as follows:

[4] Cloud in the context of IT describes a concept where applications no longer run on the user's in-house IT infrastructure (for example, a server) but are outsourced to a service provider whose IT infrastructure is not visible or known in detail – as if it was hidden in a cloud. A typical example is the use of software as a service, where the software is not stored on the user's machine, but on servers of the software service provider.

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Purchased customer relationships Overture	—	29
Purchased customer relationship MRV	4,135	5,211
	4,135	**5,241**

Amortization of intangible assets with a finite useful life comprises:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Capitalized development projects	40,437	39,241
Intangible assets acquired in business combinations	1,360	3,269
Other intangible assets	4,565	3,598
	46,362	**46,108**

Amortization of intangible assets acquired in business combinations are as follows:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Purchased technology MRV	—	1,218
Purchased customer relationships Overture	30	719
Purchased customer relationship MRV	1,331	1,332
	1,361	**3,269**

* Ensemble is a trademark used by Adtran Networks for the companies software solutions.

At initial recognition the useful lives of intangible assets acquired in business combinations were as follows:

Purchased technology MRV	7 years
Purchased customer relationships Overture	8 years
Purchased customer relationship MRV	9 years, 9 months

In 2024 and 2023, no impairment for capitalized development projects as well as purchased technologies was recognized.

In the consolidated income statement, amortization and impairment 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.

As part of a credit line agreement, security rights were granted on significant parts of the intangible assets. Please refer to note (37).

(15) 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 6 months from July 18, 2027 and bears interest at a 1.00 % margin plus 3-month Term SOFR which is set at the beginning of each quarter. The average interest rate for 2024 was 6.27 %. The carrying amount of the loan on December 31, 2024, was EUR 16,429 thousand.

No valuation allowances due to expected credit losses were recognized for reasons of materiality. Further information on valuation can be found in Note (35).

(16) Lease liabilities

Variable lease payments of EUR 3,252 thousand have not been included in the measurement of lease liabilities and were recognized in profit and loss (2023: EUR 3,308 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 1,393 thousand is included in the financial result (2023: EUR 709 thousand). In 2024, total cash outflows for lease agreements amounted to EUR 10,863 thousand (2023: EUR 11.393 thousand).

The maturity of lease liabilities is as follows:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Up to 1 year	6,047	5,558
One to three years	9,351	10,141
More than three years	13,402	15,128
	28,800	**30,827**

Some lease agreements for office space contain renewal options that can be exercised by Adtran Networks SE. At the beginning of each lease agreement, an assessment is made as to whether the exercise of the extension options included is sufficiently certain. As at December 31, 2024, this results in possible future rental payments, that would result in a lease liability of EUR 13,456 thousand, which are not included in lease liabilities. Furthermore, the future cash outflows for leases that have been concluded but not yet commenced amount to EUR 480 thousand.

(17) Liabilities to banks and financial liabilities to Adtran Holdings, Inc.

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 initially allowed for a USD 100,000 thousand subline available for borrowings by Adtran Networks SE (the “subline”). At December 31, 2024, Adtran Networks SE has drawn EUR 46,917 thousand (USD 49,000 thousand) out of the subline and the total limit of the subline stands at USD 74,000 thousand.

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 as long as no covenants are breached, the loan is reported as non-current financial liability. At December 31, 2024, the variable interest rate for the loan amounts to 8.77% p.a. Interest of USD 3,394 thousand (EUR 3,148 thousand) was paid for the period from June 4, 2024 to the end of the current fiscal year. Further information on the financial covenants can be found in note (36).

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. The recognition of this agreement resulted in a current financial liability of EUR 21,503 thousand as at December 31, 2024 (prior year-end: EUR 13,286 thousand).

(18) Trade accounts payable and other current and non-current liabilities

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

Other current liabilities are as follows:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Non-financial liabilities		
Liabilities to employees for variable compensation and payroll	6,620	6,274
Liabilities to employees for vacation	2,077	1,995
Liabilities due to withheld wage income tax and social security contribution	4,802	4,612
Liabilities due to tax authorities	3,771	3,606
Obligations from subsidized research projects	22,348	18,719
Total current non-financial liabilities	**39,617**	**35,206**
Financial liabilities		
Negative fair value of derivatives	—	507
Liabilities in connection with the consolidation of a special purpose entity	1,422	351
Other *)	3,472	3,643
Total current financial liabilities	**4,894**	**4,501**
	44,511	**39,707**

*) Prior period information adjusted according to IAS 8. For further details see note (4).

Other non-current liabilities include:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Non-financial liabilities		
Obligations from subsidized research projects	14,846	21,534
Other	—	17
Total non-current non-financial liabilities	**14,846**	**21,551**
Financial liabilities		
Other *)	579	2,187
Total non-current financial liabilities	**579**	**2,187**
	15,425	**23,738**

*) Prior period information adjusted according to IAS 8. For further details see note (4).

On December 31, 2024, other current financial liabilities mainly include accrued software license contracts.

The classification of financial instruments according to IFRS 9 is included in note (34).

(19) Provisions for pensions and similar employee benefits

Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

Plan assets related to defined contribution plans are managed separately from the assets of the relevant company by a trustee. For such plans, the company pays fixed contributions into a separate entity or a fund and does not assume any other obligations. Payment obligations to defined contribution plans are recognized in profit or loss when they occur. Payment to government managed pension plans with fixed contributions are considered as defined contribution plans. Adtran Networks group maintains defined contribution plans in different group companies. In 2024, total expenses related to defined contribution plans amount to EUR 11,125 thousand (prior year: EUR 10,949 thousand).

Under defined benefit plans the company is required to pay agreed benefits granted to present and past employees. Defined benefit plans may be funded or unfunded. The group maintains defined benefit plans in Switzerland, Italy, India and Israel.

The defined benefit plans in Switzerland are remuneration-dependent commitments for which a guaranteed minimum interest rate is set. Benefits paid in conjunction with these plans comprise old-age retirement pensions as well as invalidity and surviving dependents' benefits. The assets of the pension plans are managed by trustees. The administration is carried out in accordance with local legal requirements. In Switzerland, in addition to the regular case of pension payments at retirement age, the retirement assets can also be paid out in full or in part as a lump sum. Furthermore, in certain cases, for example in the event of the acquisition of residential property, there is the possibility of early withdrawal of the retirement assets. In the event of a change of job, the employee's retirement assets are transferred from the pension fund of the previous employer to the pension fund of the new employer.

The pension plans in Israel, Italy and India are defined benefit plans, which in the case of Italy and India are unfunded. The assets of the pension plan in Israel are managed by trustees in accordance with local legal requirements. In Italy, Israel and India, a single lump-sum payment is usually made upon retirement.

On December 31, 2024, Adtran Networks reports provisions for pensions amounting to EUR 6,169 thousand (December 31, 2023: EUR 6,734 thousand).

The carrying amount are as follows:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Present value of defined benefit obligations	29,187	29,580
Fair value of plan assets	(23,019)	(22,846)
Provisions for pensions and similar employee benefits	**6,169**	**6,734**

The change in the net defined benefit liability for pension plans derives as follows:

(in thousands of EUR)	Defined benefit obligations	Fair value of plan assets	Total
Jan. 1, 2023	**26,596**	**(21,046)**	**5,550**
Expenses and income			
Current service cost	936	—	936
Past service cost	527	—	527
Interest expense (+)/income (-)	710	(542)	168
Remeasurements			
Gains (-)/losses (+) arising from changes in financial assumptions	664	—	664
Gains (-)/losses (+) arising from changes in demographic assumptions	(607)	—	(607)
Gains (-)/losses (+) arising from experience	109	—	109
Gains (-)/losses (+) on plan assets, excluding amounts included in interest income	—	465	465
Liability assumed through transfer of employees	227	—	227
Employee contributions	360	(360)	—
Transfers to funds	—	(764)	(764)
Assets distributed on settlements	—	58	58
Benefits paid through plan assets and payments made to plan assets, net	(156)	156	—
Disbursements of Adtran Networks	(703)	—	(703)
Exchange rate differences and other changes	917	(813)	104
Dec. 31, 2023	**29,580**	**(22,846)**	**6,734**
Expenses and income			
Current service cost	1,015	—	1,015
Past service cost	(806)	—	(806)
Interest expense (+)/income (-)	636	(474)	162
Remeasurements			
Gains (-)/losses (+) arising from changes in financial assumptions	1,371	—	1,371
Gains (-)/losses (+) arising from changes in demographic assumptions	—	—	—
Gains (-)/losses (+) arising from experience	(97)	—	(97)
Gains (-)/losses (+) on plan assets, excluding amounts included in interest income	—	(853)	(853)
Employee contributions	396	(396)	—
Transfers to funds	—	(792)	(792)
Assets distributed on settlements	—	69	69
Benefits paid through plan assets and payments made to plan assets, net	(2,070)	2,070	—
Disbursements of Adtran Networks	(626)	—	(626)
Exchange rate differences and other changes	(212)	204	(8)
Dec. 31, 2024	**29,187**	**(23,018)**	**6,169**

The payments made to plan assets result in particular from vested benefits brought in by joining the company as well as from other payments and repayments of benefits drawn in advance to top up the pension fund.

The past service cost (income) in 2024 mainly resulted from the reduction in conversion rates by the foundation in Switzerland until 2027.

The liability assumed through the transfer of employees relates to the plan in India.

On December 31, 2024, EUR 26,138 thousand of the defined benefit obligations relate to active employees and EUR 3,050 thousand relate to pensioners (prior year: EUR 26,548 thousand and EUR 3,032 thousand, respectively).

The average remaining period of service for employees and the weighted average duration of the obligations as of December 31, 2024 are as follows:

(in years)	Switzerland	Italy	India	Israel
Average remaining period of service	8.80	10.90	n/a	n/a
Weighted average duration	14.60	6.80	7.00	7.60

On December 31, 2023 the average remaining period of service and the weighted average duration are as follows:

(in years)	Switzerland	Italy	India	Israel
Average remaining period of service	9.00	9.60	n/a	n/a
Weighted average duration	14.90	7.40	7.00	9.70

In general, the monthly payment of pensions starts if an employee in Switzerland reaches the retirement age, while in Israel, Italy and India a lump sum payment of the relevant accrued amount applies with retirement or resignation of an employee.

Employer contributions in 2025 are expected to amount to EUR 778 thousand (2023 expected for 2024: EUR 894 thousand). The expected pension payments for 2025 amount to EUR 1,557 thousand. In 2023 pension payments of EUR 1,442 thousand had been expected for 2024.

In 2024, the projected units credit method is used to calculate the defined benefit obligations considering the following material assumptions for valuation parameters:

	Switzerland	Italy	India	Israel
Discount rate	0.98 %	3.14 %	6.70 %	5.60 %
Inflation rate	0.75 %	2.00 %	n/a	2.40 %
Salary level trend	0.75 %	2.25 %	7.00 %	2.00 %
Pension level trend	0.00 %	n/a	n/a	n/a

In 2023, the following valuation parameters have been assumed:

	Switzerland	Italy	India	Israel
Discount rate	1.50 %	3.07 %	7.20 %	5.70 %
Inflation rate	1.50 %	2.00 %	n/a	2.40 %
Salary level trend	2.00 %	2.25 %	7.00 %	2.40 %
Pension level trend	0.00 %	n/a	n/a	n/a

Discount rates have been determined considering the weighted average duration of the obligations. The evaluation for Switzerland, Italy and Israel is based on high-quality corporate bonds with AA-rating. For India, the discount rate is based on government bond rates.

Adtran Networks is exposed to risks arising from defined benefit plans. Changes in actuarial parameters, especially in discount rates, may have significant influence on the pension obligations.

The sensitivity analysis provided below shows the extent to which the defined benefit obligation would have been affected by changes in the relevant assumptions in 2024:

(in thousands of EUR)		Change in defined benefit obligation
Discount rate	Increase by 0.25 %	(840)
	Decrease by 0.25 %	889
Salary level trend	Increase by 0.25 %	83
	Decrease by 0.25 %	(83)
Pension level trend	Increase by 0.10 %	194
Life expectancy	Increase by 1 year	494
	Decrease by 1 year	(497)

The sensitivity analysis in prior year were as follows:

(in thousands of EUR)		Change in defined benefit obligation
Discount rate	Increase by 0.25 %	(857)
	Decrease by 0.25 %	903
Salary level trend	Increase by 0.25 %	115
	Decrease by 0.25 %	(116)
Pension level trend	Increase by 0.10 %	185
Life expectancy	Increase by 1 year	445
	Decrease by 1 year	(449)

Sensitivities for discount rate, salary level and pension trend have been considered in turn disregarding any potential dependencies between these assumptions. With exception of pension trend considerations separate actuarial computations have been performed for increase and decrease of the assumptions. Due to the structure of the pension plans, no sensitivity was determined for the case of falling pensions. This only applies to the pension plans in Switzerland, as all other arrangements assume lump-sum payments at the time of reaching retirement age.

Adtran Networks assumes inflation rate to have minor impact on the amount of defined benefit obligations.

On December 31, 2024, plan assets split to major asset categories as follows:

	Quoted market prices	Other than quoted market prices
Equity instruments	30.47 %	—
Bonds	30.17 %	—
Real estate	21.65 %	—
Alternative investments	10.17 %	—
Qualified insurance policies	—	1.36 %
Cash and cash equivalents	—	2.27 %
Other	—	3.91 %

On December 31, 2023, plan assets split to major asset categories as follows:

	Quoted market prices	Other than quoted market prices
Equity instruments	29.75 %	—
Bonds	32.25 %	—
Real estate	22.20 %	—
Alternative investments	8.68 %	—
Qualified insurance policies	—	1.40 %
Cash and cash equivalents	—	3.23 %
Other	—	2.49 %

Pension fund assets are monitored continuously and managed from a risk-and-yield perspective by the external trustees.

(20) Other provisions

The table below lists changes in the composition of the group's other provisions in the reporting period:

(in thousands of EUR)	Jan. 1, 2024	Usage	Release	Appropriation	Currency translation difference	Dec. 31, 2024
Current provisions						
Warranty provision	386	(227)	—	1	(1)	158
Personnel provisions	4,583	(3,852)	(239)	2,476	42	3,010
Consulting fees	873	(383)	(7)	1,366	70	1,918
Supplier obligations	11,099	(10,773)	(7)	7,458	16	7,794
Other current provisions	1,489	(1,282)	(174)	1,535	4	1,572
Total current provisions	**18,430**	**(16,517)**	**(427)**	**12,835**	**131**	**14,451**
Non-current provisions	—					
Warranty provision	1,802	(733)	—	—	(1)	1,068
Other non-current provisions	57	—	—	21	—	78
Total non-current provisions	**1,859**	**(733)**	**—**	**21**	**(1)**	**1,146**
Provisions total	**20,288**	**(17,250)**	**(427)**	**12,856**	**130**	**15,598**

The estimated expenses related to warranty claims reflect both past experience and current developments and are based on a percentage of sales revenues. The non-current warranty provisions mainly relate to a period of 12 to 24 months after the balance sheet date. 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 expenses for severance payments as well as employee's accident insurance and other expenses resulting from legal requirements.

The reversals of provisions from previous years will be reported in the respective operating costs. Other operating income only includes reversals of provisions from special items.

(21) Contract liabilities and refund liabilities

Contract and refund liabilities are as follows:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Current contract liabilities		
Advance payments received	1,170	1,004
Current contract liabilities related to customer loyalty programs	411	908
Current deferred revenues related to service level agreements	24,146	23,387
Total current contract liabilities	**25,727**	**25,299**
Current refund liabilities	364	612
Total refund liabilities	**364**	**612**
Non-current contract liabilities		
Non-current deferred revenues related to service level agreements	13,220	13,031
Total non-current contract liabilities	**13,220**	**13,031**
	39,310	**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 24,304 thousand (previous year: EUR 20,759 thousand).

Management expects that 65 % of the outstanding or partially outstanding benefit obligations as of December 31, 2024, will be recognized as revenue in the 2025 financial year. The remaining 35 % is expected to be recognized as sales in the financial year 2026. The amount stated does not include variable compensation components which are limited. Non-current contract liabilities in the amount of EUR 13,220 thousand mainly relate to advance payments for services that will be provided in more than 12 months.

(22) Stockholders' equity

Common stock and share capital

On December 31, 2024, Adtran Networks SE had issued 52,054,500 (prior year: 52,054,500) no par value bearer shares (hereinafter “common shares”), each representing a notional amount of share capital of EUR 1.00.

The common shares entitle the holder to vote at the annual general meeting.

On December 1, 2022, the Company entered into a domination and profit and loss transfer agreement with Adtran Holdings, Inc., based in Wilmington, USA (Division of Corporations of the State of Delaware No. 6141966) as the controlling company, which was approved by the Annual General Meeting by resolution of November 30, 2022. The domination and profit and loss transfer agreement was entered in the commercial register on January 16, 2023. Based on this domination and profit and loss transfer agreement, Adtran Networks SE is obliged to transfer all of its profits to Adtran Holdings, Inc. Subject to the creation or dissolution of reserves pursuant to Section 2 Paragraph 2, the maximum amount permitted under Section 301 of the German Stock Corporation Act (AktG) in its currently applicable version shall be transferred. The holders of the ordinary shares (with the exception of Adtran Holdings, Inc. as the majority shareholder) are entitled to an annual compensation payment (EUR 0.52 net per share) to be made by Adtran Holdings, Inc. under the existing domination and profit and loss transfer agreement. Moreover, under the existing control and profit and loss transfer agreement, the holders of the ordinary shares continue to have the right to sell the shares to Adtran Holdings, Inc. for a cash settlement price of EUR 17.21.

There are no further restrictions with regard to ordinary shares.

Capital transactions

In 2024, the exercise of stock option rights did not result in any new shares from conditional capital being issued to employees of the Company or to employees of Group companies (previous year: 50,000 no-par value shares). The nominal value of the shares issued in the previous year in the amount of EUR 50 thousand was added to the subscribed capital. The premium from the exercise of stock options in the previous year in the amount of EUR 296 thousand was recorded in the capital reserve.

Other information on the share option programs is included in note (40).

Authorized capital

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. According to the company's articles of association, the management board is authorized, subject to the consent of the supervisory board, to increase subscribed capital until June 27, 2029, only once or in successive tranches by a maximum of EUR 26,027,250 by issuing new common shares in return for cash or non-cash contributions (conditional capital 2024/I). Subject to the consent of the supervisory board, the management board is further authorized to decide whether to exclude stockholders' subscription rights. Stockholders' subscription rights can be excluded for capital increases for cash contributions as well as contributions in kind if during the term of this authorization and in exclusion of shareholder subscription rights, the shares issued against contributions in cash or in kind do not exceed 20 % of the share capital.

Conditional capital

The conditional capital 2011/I remains unchanged on December 31, 2024. Considering the above described capital transactions, the total conditional capital on December 31, 2024 amounts to EUR 3,491 thousand.

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	—	(24,965)	26,027	—
Stock options exercised	—	—	—	—
Dec. 31, 2024	**52,055**	**—**	**26,027**	**3,491**

Capital reserve

The capital reserve includes premium payments from the issuance of shares, as well as additional contributions to the company's equity associated with the exercise of stock options. Additionally, the capital reserve contains the correspondent accumulated compensation expenses related to equity-settled stock option rights issued amounting to EUR 29,818 thousand (prior year: EUR 28,488 thousand).

Accumulated deficit including net income (loss)

Accumulated deficit including net income (loss) includes the consolidated net income (loss) for the financial year as well as earnings generated in previous periods, insofar as these were not distributed or transferred or offset as part of profit and loss transfer agreements.

Accumulated other comprehensive income (loss)

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 development of accumulated other comprehensive income is as follows:

(in thousands of EUR)	Remeasurement of defined benefit plans	Exchange differences on translation of foreign operations
Jan. 1, 2023	**(153)**	**680**
Addition/release from remeasurement	(1,064)	—
Tax effect	90	—
Currency translation differences	—	(1,408)
Dec. 31, 2023	**(1,127)**	**(728)**
Addition/release from remeasurement	(429)	—
Tax effect	37	—
Currency translation differences	—	6,022
Dec. 31, 2024	**(1,519)**	**5,294**

In 2024 and 2023 no items were reclassified (recycled) from comprehensive income to profit or loss.

Changes in stockholders' equity are summarized in the consolidated statement of changes in stockholders' equity.

Voting rights

According to section 33 paragraph 1 and 2, section 38 paragraph 1 and section 40 of the German Securities Trading Law (Wertpapier-Handelsgesetz, WpHG) the company published the following information on the Adtran Networks homepage. The table shows the shares of voting rights in Adtran Networks SE that were notified to Adtran Networks SE as of the balance sheet date. The information refers to the most recent notification of a reporting party to Adtran Networks SE. The information regarding the percentage shareholding and voting rights may be outdated.

Date of change in investment	Name of investment owner	Threshold limit	Share of voting rights
Dec. 04, 2024	The Goldman Sachs Group, Inc., Wilmington, Delaware, USA	above 10 %	10.70 %
Apr. 19, 2024	JPMorgan Chase & Co., Wilmington, Delaware, USA	above 3%	3.09 %
Feb. 07, 2024	UBS Group AG, Zürich, Switzerland	below 3%	2.84 %
Jan. 24, 2024	Morgan Stanley, Wilmington, Delaware, USA	below 3 %	2.97 %
Jan. 08, 2024	Raphael Kain	above 10 %	10.27 %
Nov. 28, 2023	Samson Rock Capital LLP, London, UK	above 10 %	10.02 %
Nov. 28, 2023	Samson Rock Event Driven Fund Limited, Grand Cayman, Cayman Islands	above 10 %	10.02 %
Oct, 26, 2023	John Adis	above 3%	3.19 %
Jul. 21, 2022	Janus Henderson Group Plc, St. Helier, Jersey, USA	below 3 %	1.61 %
Jul. 15, 2022	Dimensional Holdings Inc., Austin, Texas, USA	below 3 %	0.00 %
Jul. 15, 2022	DNB Asset Management AS, Oslo, Norway	below 3 %	0.00 %
Jul. 15, 2022	EGORA Ventures AG, Planegg, Germany	below 3 %	0.00 %
Jul. 15, 2022	Adtran Holdings, Inc., Wilmington, Delaware, USA	above 50 %	65.43 %
Jan. 26, 2022	Bank of America Corporation, Wilmington, Delaware, USA	above 3 %	3.66 %
Jan. 21, 2022	DWS Investment GmbH, Frankfurt, Germany	below 3 %	2.80 %
Jul. 19, 2021	Highclere International Investors Smaller Companies Fund, Westport, USA	below 3 %	2.80 %
Jun. 18, 2021	Teleios Global Opportunities Master Fund, Ltd., Grand Cayman, Cayman Islands	below 3 %	2.95 %
Jul. 20, 2020	DNB Asset Management S.A., Luxembourg, Luxembourg	below 3 %	2.99 %
Sep. 23, 2019	Duke University, Durham, North Carolina, USA	below 3 %	— %
Jan. 17, 2019	Internationale Kapitalanlagegesellschaft mit beschränkter Haftung, Düsseldorf, Germany	below 3 %	2.86 %
May 2, 2017	Finanzministerium im Auftrag des norwegischen Staates, Oslo, Norway	above 3 %	3.19 %
Feb. 20, 2017	Deutsche Asset Management Investment GmbH, Frankfurt, Germany	below 3 %	2.95 %

Notes to the consolidated income statement

(23) Revenues

In 2024 and 2023, revenues included EUR 101,918 thousand and EUR 96,938 thousand for services, respectively, such as network development services and maintenance services. The remaining revenues relate mainly to product sales.

In 2024, revenues amounting to EUR 360,107 thousand thousand (prior year: EUR 545,549 thousand) relate to performance obligations that were performed at a specific point in time. These include both product sales and network development services. In addition, revenues of EUR 77,978 thousand (prior year: EUR 69,122 thousand) were generated from performance obligations that are rendered over a certain period of time. These mainly relate to maintenance services.

A segmentation of revenues by geographic region is provided in the section on segment reporting under note (33). Information on the usual terms of payment is presented in note (10).

(24) 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 as well as expenses regarding leased cars.

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.

The decline in operating expenses results in particular from decreased personnel expenses.

(25) Other operating income and expenses

Other operating income and expenses are as follows:

(in thousands of EUR)	2024	2023
Other operating income		
Government grants received	8,538	4,683
Release of provisions	—	1,961
Income from the provision of services to Adtran Holdings, Inc. and its subsidiaries	10,471	1,002
Income for the supply of development services	369	640
Income from transactions with suppliers	37	2,597
Other	273	368
Total other operating income	**19,688**	**11,251**
Other operating expenses		
Impairment of goodwill	(17,371)	—
Derecognition of trade accounts receivable	(943)	(102)
Other	(299)	(156)
Total other operating expenses	**(18,613)**	**(258)**
Other operating income and expenses, net	**1,076**	**10,993**

The increase in government grants in 2024 is mainly due to grants for new research projects, while the increase in income from the provision of services to Adtran Holdings, Inc. and its subsidiaries is mainly due to new service contracts for research and development activities.

In 2023, the release of provisions mainly relates to provisions for legal disputes that were recognized as part of previous business combinations.

Details on impairment of goodwill are included in note (14).

(26) 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. In addition, net interest expenses from valuation of defined benefit plans and interest expenses related to leases according to IFRS 16 are included. The increase in interest expenses is in particular due to the general rise in interest rates as well as the changes in group financing agreements. For further details, refer to notes (10), (15), (16), (17), (19) and (34).

(27) Other financial gains and losses

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

(in thousands of EUR)	2024	2023
Foreign currency exchange gains	12,708	16,606
Thereof: gains from forward rate agreements	*1,326*	*704*
Foreign currency exchange losses	(13,986)	(20,611)
Thereof: losses from forward rate agreements	*(636)*	*(1,539)*
Total other financial gains and losses, net	**(1,278)**	**(4,005)**

Further information on the foreign currency derivatives is contained in note (34).

(28) Income tax

Income taxes in Germany consist of corporate income tax, the solidarity surcharge and trade taxes. The tax calculation in foreign countries is based on the applicable local tax rates. They vary between 11.41 % and 34.00 % (prior year: between 13.56 % and 34.00 %). Due to several methodological errors in the calculation of deferred taxes in the fiscal years 2022 and 2023, a retrospective correction has been made in accordance with IAS 8 (for further details refer to note (4)).

The table below shows the components of the group's total income tax expenses:

(in thousands of EUR)	2024	2023
Current taxes		
Current income tax charge	(5,820)	(6,679)
Tax income from previous years	220	47
Total current taxes	**(5,600)**	**(6,632)**
Deferred taxes		
Temporary differences and tax loss carry-forwards *)	(10,152)	(11,632)
Changes in tax rates	(72)	13
Total deferred taxes	**(10,224)**	**(11,619)**
Income tax benefit (expense), net	**(15,824)**	**(18,251)**

*) Retrospective adjustment according to IAS 8 for 2023. Details are explained in paragraph (4).

A reconciliation of income taxes based on the accounting profit (loss) and the expected domestic income tax rate for the parent company of 29.003 % (prior year: 28.984 %) to effective income tax benefit (expense), net, is presented below:

(in thousands of EUR)	2024	2023
Accounting income before tax	**(46,877)**	**6,016**
Expected statutory tax benefit (expense)	**13,591**	**(1,744)**
Tax rate adjustments	(72)	13
Tax for prior periods	220	47
Foreign tax rate differential	274	741
Change in non-tax-deductible stock option expenses	523	(452)
Effects from foreign branch offices	(666)	(358)
Non-tax-deductible expenses incl. interest cap	(1,139)	(1,834)
Permanent differences (impairment goodwill)	(3,275)	(386)
Adjustment of deferred taxes on temporary differences, on loss carryforwards, and from tax credits *)	(24,525)	(14,276)
Other differences	(755)	(2)
Income tax benefit (expense), net	**(15,824)**	**(18,251)**
Effective tax rate	**(33.76) %**	**(303.39)%**

*) Retrospective adjustment according to IAS 8 for 2023. Details are explained in paragraph (4).

Adtran Networks SE has incurred a tax loss in the current and previous periods; there is a history of losses. Deferred tax assets on loss carryforwards are recognized - taking into account the minimum tax regime - in the fiscal year to the extent of existing deferred tax liabilities.

In 2024, due to a change in the income tax rate, effects amounting to negative EUR 72 thousand occurred (previous year: positive EUR 13 thousand).

The effect from the change in the valuation allowance for deferred taxes on loss carryforwards primarily concerns Adtran Networks SE and mainly relates to the non-recognition of deferred tax assets on loss carryforwards for the current year amounting to EUR 15,582 thousand, as well as the change in the valuation allowance for deferred taxes on loss carryforwards from previous years after correction according to IAS 8 due to the loss history existing since this fiscal year amounting to EUR 7,252 thousand.

The composition of deferred tax assets and liabilities is presented below:

(in thousands of EUR)	Dec. 31, 2024 Deferred tax assets	Dec. 31, 2024 Deferred tax liabilities	Dec. 31, 2023 Deferred tax assets	Dec. 31, 2023 Deferred tax liabilities
Current assets				
Cash and cash equivalents	—	—	—	—
Trade accounts receivable	248	(11)	344	—
Inventories	449	(2,607)	261	(2,639)
Other current assets	—	(5,048)	1	(4,754)
Total current assets	**697**	**(7,666)**	**606**	**(7,393)**
Non-current assets				
Right-of-use assets	—	(4,918)	—	(5,654)
Property, plant and equipment	277	(767)	222	(1,203)
Goodwill *)	2,914	(1,890)	3,142	(3,086)
Capitalized development projects	—	(29,570)	—	(30,841)
Other intangible assets *)	2,777	(6,096)	7,117	(8,949)
Other non-current assets *)	4	(3,136)	—	(6,150)
Total non-current assets	**5,972**	**(46,377)**	**10,481**	**(55,883)**

*) Retrospective adjustment according to IAS 8 for 2023. Details are explained in paragraph (4).

	Dec. 31, 2024		Dec. 31, 2023	
(in thousands of EUR)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Current liabilities				
Lease Liabilities	1,084	—	1,052	—
Trade accounts payable	335	(114)	2	(215)
Provisions	2,784	—	3,373	—
Deferred revenues	1,333	(234)	773	(4)
Other current liabilities	4,708	—	5,133	—
Total current liabilities	**10,244**	**(348)**	**10,333**	**(219)**
Non-current liabilities				
Lease Liabilities	4,561	—	5,164	—
Other non-current liabilities	4,128	(233)	7,082	(21)
Total non-current liabilities	**8,689**	**(233)**	**12,246**	**(21)**
Tax loss carry-forwards and tax credits	36,652	—	47,082	—
Total deferred tax assets and liabilities *)	**62,254**	**(54,624)**	**80,748**	**(54,624)**
Netting *)	(42,564)	42,564	(61,209)	61,209
Deferred tax net *)	**19,690**	**(12,060)**	**19,539**	**(2,307)**

*) Retrospective adjustment according to IAS 8 for 2023. Details are explained in paragraph (4).

The temporary differences arise from timing differences between the IFRS assets and IFRS liabilities and their respective tax bases.

The deferred tax assets on domestic and foreign tax loss carryforwards were recognized for Adtran Networks SE based on the existing loss history up to the amount of available deferred tax liabilities (taking into account minimum tax regime).

The tax loss carryforwards for domestic and foreign taxes include:

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Adtran Networks SE (CIT)	235,627	181,876
Adtran Networks SE (TT)	222,871	169,104
Adtran Networks North America Inc.	64,195	65,204
Adtran Networks Israel	—	318
ADVA NA Holdings	—	66
	522,693	**416,569**

The total tax loss carryforwards of the group, for which no deferred tax was recognized at the end of 2024, will expire within the following periods:

(in thousands of EUR)	
1 year	5,426
2 years	3,188
3 years	1,436
4 years	4,357
5 years	8,900
after 5 years	7,413
Carried forward for unlimited period (CIT)	150,941
Carried forward for unlimited period (TT)	147,493
Total tax loss carry-forward	**329,154**

Furthermore, no deferred tax assets were recognized for interest carryforwards amounting to EUR 3,657 thousand (prior year: nil). Potential tax risks that could trigger additional tax payments in future audits are continuously monitored by management and valued at the best possible amount. As of December 31, 2024, no income tax liabilities for tax risks were deemed probable and recognized.

As of December 31, 2024, the Group did not recognize deferred tax liabilities for taxable temporary differences amounting to EUR 13,596 thousand (previous year EUR 14,495 thousand) in connection with interests in subsidiaries, as the Group can control the timing of the reversal of the temporary differences and it is likely that the temporary difference will not reverse in the foreseeable future.

The amount of the benefit arising from a previously unrecognized tax loss of a prior period that is used to reduce current and deferred tax expense is zero for 2024 and 2023, respectively.

Deferred taxes for pensions and similar obligations, which are directly recognized in the accumulated other comprehensive income, amount to EUR 226 thousand (previous year: EUR 189 thousand).

The group falls within the scope of the OECD "Pillar Two" regulations. The Pillar Two legislation was enacted in Germany and has been in effect since January 1, 2024. The Group is currently applying the exemption for accounting for deferred taxes related to Pillar Two income taxes, which was the subject of the amendment to IAS 12 published in May 2023.

No Pillar Two tax was incurred in 2024.

(29) Employees and personnel expenses

In 2024 and 2023, respectively, the Adtran Networks group had an average of 2,047 and 2,031 permanent employees and an average of 41 and 38 apprentices on its payroll, respectively in the following departments:

	Dec. 31, 2024	Dec. 31, 2023
Purchasing and Operations	410	395
Sales and Marketing	312	358
General and Administration	177	181
Research and Development	1,148	1,097
Apprentices	41	38
	2,088	**2,069**

Personnel expenses for 2024 and 2023 totaled EUR 208,286 thousand and EUR 221,901 thousand, respectively:

(in thousands of EUR)	2024	2023
Wages and salaries	171,327	183,189
Social security costs	20,731	22,355
Expenses for post-employment benefits	10,278	11,075
Share-based compensation expenses	5,949	5,282
	208,286	**221,901**

Expenses for retirement benefits include expenses related to defined contribution plans as well as service costs for defined obligation plans.

Further details on expenses for post-employment benefits are included in note (19).

Details regarding share-based compensation expenses are shown in note (40).

(30) Restructuring expenses

In 2024, restructuring expenses amounting to EUR 7,014 thousand have been recognized (2023: EUR 12,296 thousand), mainly relating to severance agreements with employees.

Other disclosures

(31) 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 from the date of acquisition. 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 cash flow from investing activities includes the increase in the balance from the purchase of receivables from Adtran, Inc. from factoring. Cash inflows and outflows are shown net due to the high turnover rate.

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**
Borrowings/(repayments)	(6,209)	(43,214)	52,717	3,294
Non-cash changes	15,996	70	—	16,066
Foreign currency exchange effects	(161)	—	56	(105)
Dec. 31, 2023	**30,828**	**13,286**	**52,773**	**96,887**
Borrowings/(repayments)	(5,551)	52,381	(53,034)	(6,204)
Non-cash changes	2,929	—	—	2,929
Foreign currency exchange effects	594	2,753	261	3,608
Dec. 31, 2024	**28,800**	**68,420**	**—**	**97,220**

Actual interest payments for liabilities to banks amounting to EUR 3,565 thousand (prior year: EUR 763 thousand), interest payments for financial liabilities to Adtran Holdings, Inc. in the amount of EUR 848 thousand (previous year: EUR 1,998 thousand) and interest related to lease liabilities of EUR 1,393 thousand (prior year: EUR 879 thousand) are included in cash flow from financing activities. The development of liabilities to banks include a liability from factoring. Incoming and outgoing payments are shown net due to the high turnover rate.

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 (9).

(32) Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing consolidated net income by the weighted average number of shares outstanding.

There were no dilution effects in the current fiscal year. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding by the number of potential shares arising from granted and exercisable stock options on the balance sheet date.

No effects of dilution had to be considered in net income in 2024 and 2023 according to IAS 33.33.

The following table reflects the number of shares used in the computation of basic and diluted earnings per share:

	2024	2023
Net loss / income entitled to the owners of the parent company in thousands EUR	(62,701)	(12,235)
Weighted average number of shares (basic)	**52,054,500**	**52,015,913**
Effect of dilution from stock options	—	9,005
Weighted average number of shares (diluted)	**52,054,500**	**52,024,918**
Earnings per share in EUR basic	(1.20)	(0.24)
Earnings per share in EUR diluted	(1.20)	(0.24)

There have been no other material transactions involving ordinary shares or potential shares between the balance sheet date and the date of authorization for issue of these financial statements. The holders of the ordinary shares (with the exception of Adtran Holdings, Inc. as the majority shareholder) are entitled to an annual compensation payment (EUR 0.52 net) to be made by Adtran Holdings, Inc. under the existing domination and profit and loss transfer agreement. Moreover, under the existing control and profit and loss transfer agreement, the holders of the ordinary shares continue to have the right to sell the shares to Adtran Holdings, Inc. for a cash settlement price of EUR 17.21.

(33) 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 review the operating results of individual companies or 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[5]. 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, one-time 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.

[5] 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, integration and restructuring measures are not included.

Reconciliation of key performance measures to the consolidated financial income on December 31, 2024 presents as follows:

(in thousands of EUR)	Pro forma financial information	Intangible assets from acquisitions	Goodwill	Compensation expenses	Expenses related to to M&A, integration and restructuring measures	Disclosure of R&D expenses	Consolidated financial information
Revenues	438,085	—	—	—	—	—	438,085
Cost of goods sold	(280,391)	—	—	(727)	(1,139)	—	(282,257)
Gross profit	**157,694**	**—**	**—**	**(727)**	**(1,139)**	**—**	**155,828**
Gross margin	**36.0 %**						**35.6 %**
Selling and marketing expenses	(55,615)	(1,361)	—	(913)	(1,680)	—	(59,569)
General and administrative expenses	(29,040)	—		(1,851)	(1,022)	—	(31,913)
Research and development expenses	(138,436)	—	—	(2,458)	(3,755)	36,615	(108,034)
Income from capitalization of development expenses	36,615	—	—	—	—	(36,615)	—
Other operating income	19,688	—	—	—	—	—	19,688
Other operating expenses	(1,103)	—	(17,371)	—	(139)	—	(18,612)
Operating income	**(10,197)**	**(1,361)**	**(17,371)**	**(5,949)**	**(7,735)**	**—**	**(42,612)**
Operating margin	**(2.3)%**						**(9.7)%**
Segment assets	**615,661**	**4,135**	**50,206**	**—**	**—**	**—**	**670,002**

Reconciliation of key performance measures to the consolidated financial income on December 31, 2023 presents as follows:

(in thousands of EUR)	Pro forma financial information	Intangible assets from acquisitions	Goodwill	Compensation expenses	Expenses related to to M&A, integration and restructuring measures	Disclosure of R&D expenses	Consolidated financial - information
Revenues	613,671	—	—	—	—	—	613,671
Cost of goods sold	(392,393)	(1,218)	—	(574)	(924)	—	(395,108)
Gross profit	**221,278**	**(1,218)**	**—**	**(574)**	**(924)**	**—**	**218,562**
Gross margin	**36.1 %**						**35.6 %**
Selling and marketing expenses	(60,213)	(2,051)	—	(1,321)	(4,941)	—	(68,526)
General and administrative expenses	(34,068)	—	(4,553)	(729)	(2,735)	—	(42,085)
Research and development expenses	(144,068)	—	—	(2,658)	(4,736)	45,820	(105,642)
Income from capitalization of development expenses	45,820	—	—	—	—	(45,820)	—
Other operating income	11,251	—	—	—	—	—	11,251
Other operating expenses	(189)	—	—	—	(69)	—	(258)
Operating income	**39,810**	**(3,269)**	**(4,553)**	**(5,282)**	**(13,405)**	**—**	**13,302**
Operating margin	**6.5 %**						**2.2 %**
Segment assets	**587,681**	**5,241**	**64,899**	**—**	**—**	**—**	**657,821**

Additional information by geographical regions:

(in thousands of EUR)	2024	2023
Revenues		
Germany	62,478	196,035
Rest of Europe, Middle East and Africa	168,272	152,462
thereof United Kingdom	*82,270*	*94,648*
Americas	153,911	210,588
thereof USA	*146,536*	*202,278*
Asia-Pacific	53,424	54,585
	438,085	**613,670**

(in thousands of EUR)	Dec. 31, 2024	Dec. 31, 2023
Non-current assets		
Germany	166,061	157,572
Rest of Europe, Middle East and Africa	21,884	20,856
Americas	12,826	18,357
Asia-Pacific	2,920	3,196
	203,691	**199,981**

In the previous year, sales were allocated based on the respective sales region. This year, an adjustment was made in internal reporting. Going forward, sales will be attributed to the countries to which the deliveries are made.

In 2024, revenues with one major customer exceeded 10 % of total revenues (2023: two major customers). In 2024, the share of revenues allocated to the major customer was EUR 60,549 thousand (prior year: EUR 147,727 thousand, thereof revenue with the biggest customer was EUR 74,023 thousand and with the second biggest customer was EUR 73,704 thousand).

Non-current assets including finance lease equipment, property, plant and equipment and intangible assets except goodwill are attributed based on the location of the respective group company. Prior year disclosure was adjusted for goodwill.

(34) Financial instruments

The following tables analyze carrying amounts and fair values according to measurement categories. Only assets and liabilities, which fall into the categories defined by IFRS 7, are presented, so that the total amounts disclosed do not correspond to the balance sheet totals of each year.

			Categories recognized according to IFRS 9			
(in thousands of EUR, on Dec. 31, 2024)	Measurement category in accordance with IFRS 9	Carrying amount	Amortized cost or no category, respectively	Fair value recognized in profit and loss	Fair value	Hierarchy of fair values
Assets						
Cash and cash equivalents	AC	27,040	27,040	—	n/a*	n/a*
Trade accounts receivable without underlying factoring agreement	AC	108,575	108,575	—	n/a*	n/a*
Trade accounts receivable with underlying factoring agreement	FVTPL	—	—	—	—	Level 2
Receivables from Adtran Holdings, Inc. due to loss absorption	AC	47,103	47,103	—	n/a	n/a
Loans granted	AC	16,429	16,429	—	16429206.02	n/a
Other current financial assets	AC	37,383	37,383	—	n/a	n/a*
Other non-current financial assets	AC	17,120	17,120	—	17,120	Level 2
Derivatives	FVTPL	545	—	545	545	Level 2
Total financial assets		**254,195**	**253,650**	**545**	**34,094**	
Liabilities						
Current lease liabilities	n/a	6,047	6,047	—	n/a	n/a
Non-current lease liabilities	n/a	22,753	22,753	—	n/a	n/a
Current liabilities to banks	FLAC	19,036	19,036	—	19,036	Level 2
Non-current liabilities to banks	FLAC	46,917	46,917	—	46,917	Level 2
Non-current financial liabilities to Adtran Holdings, Inc.	FLAC	—	—	—	—	Level 2
Trade accounts payable	FLAC	48,578	48,578	—	n/a*	n/a*
Other current financial liabilities	FLAC	3,472	3,472	—	n/a*	n/a*
Other non-current financial liabilities	FLAC	579	579	—	579	Level 2
Derivatives	FVTPL	—	—	—	—	Level 2
Total financial liabilities		**147,382**	**147,382**	**—**	**66,532**	

* Due to the short-term nature, it was assumed that the book value as of the reporting date approximates the fair value.

(in thousands of EUR, on Dec. 31, 2023)	Measurement category in accordance with IFRS 9	Carrying amount	Amounts recognized according to IFRS 9		Fair value	Hierarchy of fair values
			Amortized cost or no category, respectively	Fair value recognized in profit and loss		
Assets						
Cash and cash equivalents	AC	30,554	30,554	—	n/a	n/a*
Trade accounts receivable without underlying factoring agreement	AC	115,615	115,615	—	n/a	n/a*
Trade accounts receivable with underlying factoring agreement	FVTPL	—	—	—	—	Level 2
Receivables from Adtran Holdings, Inc. due to loss absorption	AC	23,934	23,934	—	n/a	n/a
Other current financial assets	AC	19,617	19,617	—	n/a	n/a*
Other non-current financial assets	AC	23,320	23,320	—	23,320	Level 2
Derivatives	FVTPL	5	—	5	5	Level 2
Total financial assets		**213,045**	**213,040**	**5**	**23,325**	
Liabilities						
Current lease liabilities	n/a	5,558	5,558	—	n/a	n/a
Non-current lease liabilities	n/a	25,270	25,270	—	n/a	n/a
Current liabilities to banks	FLAC	13,286	13,286	—	13,286	Level 2
Non-current liabilities to banks	FLAC	—	—	—	—	Level 2
Non-current financial liabilities to Adtran Holdings, Inc.	FLAC	52,773	52,773	—	52,773	Level 2
Trade accounts payable	FLAC	43,123	43,123	—	n/a*	n/a*
Other current financial liabilities	FLAC	1,340	1,340	—	n/a*	n/a*
Other non-current financial liabilities	FLAC	860	860	—	860	Level 2
Derivatives	FVTPL	507	—	507	507	Level 2
Total financial liabilities		**142,717**	**142,210**	**507**	**67,426**	

* Due to the short-term nature, it was assumed that the book value as of the reporting date approximates the fair value.

The group uses the following hierarchy for determining the fair value of financial instruments:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques, which use inputs that are not based on observable market data.

At the end of the reporting period it is analyzed whether transfers between the hierarchy levels need to be considered. In 2024 and 2023, there were no such transfers.

In the case of cash and cash equivalents, trade receivables measured at amortized cost, other current financial assets and liabilities as well as trade accounts payable, the carrying amounts represent reasonable approximations for the fair values.

Forward rate agreements are measured using the discounted cash flow method based on quoted forward rates and yield curves derived from quoted interest rates according to the maturities of the contract.

The fair values of financial liabilities as well as other non-current financial assets and liabilities have been calculated based on future cash flows by using arm's length, risk-adjusted interest rates.

The fair value of the balance sheet items measured at Level 3 on December 31, 2024 totaled nil (December 31, 2023: in total nil).

The following table shows the net results per measurement category according to IFRS 9:

(in thousands of EUR)	Note	2024	2023
Financial assets measured at amortized cost	(13)	2,190	672
Financial liabilities measured at amortized cost	(17)	(4,563)	(2,857)
Financial assets and liabilities measured at fair value through profit or loss	(26)	690	(835)
Net result		**(1,683)**	**(3,020)**

In 2024 and 2023, the net result from financial assets measured at amortized cost included the impairment loss and interest income recognized in the current period on the relevant assets. The net result of financial instruments at fair value through profit or loss consist of changes in the fair value of derivative financial instruments, trade receivables subject to factoring agreements and equity investments. The net result from financial liabilities at amortized cost includes interest for bank liabilities (drawn and undrawn) and other financial liabilities as well as amortization according to effective interest method.

Total interest income and expenses from financial assets and liabilities are as follows:

(in thousands of EUR)	2024	2023
Financial assets measured at amortized cost		
Total interest income	**2,119**	**333**
Financial liabilities measured at amortized cost		
Total interest expense	**(4,563)**	**(2,857)**

As the necessary prerequisites have not been fulfilled, no financial assets and liabilities are offset in the balance sheet. Master netting agreements exist with the contractual partners of the derivatives, according to which a set-off can be made in the event of insolvency. As of the balance sheet date, there were only insignificant offsetting potentials from derivative financial instruments.

(35) Financial risk management

The following section describes the group's position with regard to risks arising from financial instruments and their potential future impact on the net assets, financial position and operational results. The classification into material and immaterial financial risks considered in the risk and opportunity report has been disregarded.

Adtran Networks' capital management is described in note (36).

The management board establishes principles for overall risk management and decides on the use of derivative financial instruments and the investment of excess liquidity. The compliance department is responsible for group-wide monitoring of observance of the processes and guidelines of the risk management system defined by the Adtran Networks management board.

Foreign currency risks

Risk exposure

Adtran Networks is exposed to foreign currency risks as investments, financing, and operations are carried out in several currencies. This results in foreign currency risks from future transactions as well as from recognized assets and liabilities denominated in a currency other than the functional currency of the respective group company. As part of the reporting date analysis of balance sheet exposures and exchange rate sensitivities, the currency pairs EUR/USD, EUR/PLN, EUR/ILS and EUR/GBP were identified as relevant.The relevance of the different currencies can vary depending on the reporting date.

The foreign currency risk of Adtran Networks on the basis of the underlying operating activities at the end of 2024 in the major currencies is as follows:

(in thousands)	USD	PLN	ILS	GBP
Trade accounts receivable	17,779	—	—	212
Trade accounts payable	(18,878)	—	—	(117)

At the end of 2023, the foreign currency risk was as follows:

(in thousands)	USD	PLN	CNY	GBP
Trade accounts receivable	15,090	—	—	483
Trade accounts payable	(16,537)	—	(1)	—

The group's risk with regard to other currency fluctuations was insignificant at the reporting date.

Risk management

Adtran Networks' risk management framework considers operational business risks to the business that affect the income statement. Specific hedging transactions are only concluded if larger non-recurring foreign exchange risks are expected (e.g. due to a planned M&A transaction). Regarding intercompany payments, the treasury department is closely involved in order to optimize the cash flows with regard to currencies and separate hedging considerations. Foreign currency risks from recognized financial assets and liabilities are only considered by Adtran Networks' risk management in specific cases.

In 2023 and 2024, the group recorded significant external net cash inflows in GBP and significant external net cash outflows in USD. In order to mitigate these material risks from operating activities and as a means to offset cash flow fluctuations, Adtran Networks' Treasury Department has been hedging some of its net cash flows in USD versus GBP through the use of forward foreign exchange agreements in GBP already in 2023.

To hedge exchange rate risks from future cash flows, the group entered into derivatives that will mature in the first quarter of 2024. The fair value of these foreign exchange agreements is recognized in other current assets or other current liabilities. The related fair values amounted to positive EUR 545 thousand and negative nil, respectively (December 31, 2023: positive EUR 5 thousand and negative EUR 507 thousand). As of December 31, 2024, the nominal value of these derivatives amounted to EUR 20,222 thousand (December 31, 2023: EUR 19,549 thousand). The nominal value is the accounting value from which payments are derived.

Sensitivity analysis

The foreign exchange rate sensitivity of the most relevant currency pairs with respect to balance sheet risks on earnings after tax at the end of the reporting period is illustrated below. The analysis does not consider effects from the translation of the financial statements of the group's foreign subsidiaries into euro the company's reporting currency.

If, at the balance sheet date 2024, the relevant exchange rates would have appreciated or depreciated by 10 % relative to the base currency in the relevant currency relations (base currency/spot currency), the following impact on earnings after tax from the currency translation of reported primary financial instruments would have to be considered:

(in thousands of EUR)	Dec. 31, 2024	
	+10 %	-10 %
EUR/USD	1,945	(2,377)
EUR/PLN	(357)	437
EUR/GBP	(882)	1,078
EUR/ILS	(208)	254

In the previous year, the following sensitivities were reported for the currency relations relevant in 2023:

(in thousands of EUR)	Dec. 31, 2023	
	+10 %	-10 %
EUR/USD	(20,260)	24,762
EUR/PLN	1,281	(1,566)
EUR/GBP	1,029	(1,257)
EUR/CNY	1,165	(1,424)

In addition, the currency pair USD/GBP is relevant for risk management considerations. The currency pairs USD/GBP and USD/EUR are hedged by using forward contracts. If, at year-end 2024, the spot currency GBP had appreciated or depreciated by 10 % against the base currency USD, the following effects would have been recognized in profit or loss:

(in thousands of EUR)	Dec. 31, 2024	
	GBP +10 %	GBP -10 %
USD/GBP	(1,343)	1,815
	EUR +10 %	EUR -10 %
USD/EUR	(352)	564

The following sensitivities have been reported in 2023:

(in thousands of EUR)	Dec. 31, 2023	
	GBP +10 %	GBP -10 %
USD/GBP	2,042	(964)
	EUR +10 %	EUR -10 %
USD/EUR	616	(298)

Interest rate risk

Risk exposure

The interest rate risk is the risk that fair values or future interest payments on existing and future interest-bearing financial instruments will fluctuate due to changes in market interest rates. Adtran Networks decreased its cash position from EUR 30,554 thousand in 2023 to EUR 27,040 thousand in 2024.

At year-end 2024, Adtran Networks SE had outstanding loans and available committed credit lines with banks amounting to USD 49,000 thousand (EUR 46,917 thousand) and USD 25,000 thousand (EUR 23,937 thousand), respectively.

In 2024, Adtran Networks fully repaid a financial liability to Adtran Holdings, Inc. amounting to USD 57,500 thousand on June 4, 2024. At the same time Adtran Networks as additional borrower 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 December 31, 2024, the variable interest rate for the loan amounts to 8.77 % p.a.

Further information on existing financial liabilities and financial covenants can be found in note (17) and note (36).

Risk management

The treasury department regularly analyzes the existing interest rate risk and, in the event of a material risk, makes proposals for the use of appropriate hedging instruments. As part of risk management to limit interest rate risks, derivative financial instruments such as interest rate caps and interest rate swaps can be used. Due to declining inflation in the euro zone, the central bank has lowered the key interest rate to 3.15 %. Loans drawn under the revolving credit facility with Wells Fargo bear interest at Term SOFR plus a margin of 4.15 %.

Sensitivity analysis

As of December 31, 2024, the Term SOFR was 4.62 % while the margin stood at 4.15 % yielding an all-in rate of 8.77 % on Adtran Networks SE’s single loan under its revolving credit facility. An increase of the reference interest rate by 50 basis points would have led to a negative effect on earnings of USD 245 thousand. A reduction of the reference interest rate by 50 basis points would have led to a positive effect on earnings of USD 245 thousand.

Default risk

Risk exposure

The default risk arising from financial assets involves the risk of the default of a contractual partner and thus includes at maximum the amount of the related recognized carrying amounts. At Adtran Networks default risks arise from cash at banks, contract assets and contractual cash flows from debt instruments that are measured at amortized cost or at fair value through profit or loss, including outstanding trade receivables.

Risk management

All default risks are managed at group level. The default risk is mitigated by various measures, depending on the class of financial assets. In addition, the credit risk from non-derivative financial assets is considered by means of risk provisioning and bad debt allowances.

Adtran Networks enters into transactions with creditworthy banks and financial institutions. To assess the creditworthiness of banks, financial institutions and other financial assets, Adtran Networks uses current credit ratings from rating agencies (S&P, Moody’s or Fitch) as well as current default rates (credit default swaps). Based on the capital market ratings, Adtran Networks divided the banks and other financial assets into three internal rating classes, determining their exposure at default and calculating the expected loss at default as of December 31, 2024 and 2023. Rating class 1 means investment grade assets, rating class 2 means non-investment grade assets and rating class 3 includes assets in default. Due to immateriality, no risk provisions were recognized at the balance sheet date.

The gross carrying amounts (risk positions) by rating class on December 31, 2024 are as follows:

(in thousands of EUR)	Rating class 1	Rating class 2	Rating class 3	Total
Cash and cash equivalents	27,040	—	—	**27,040**
Receivables from Adtran Holdings, Inc. due to loss absorption	—	47,103	—	**47,103**
Other current financial assets	37,383	—	—	**37,383**
Loans granted	—	16,429	—	**16,429**
Other non-current financial assets	17,120	—	—	**17,120**

The gross carrying amounts (risk positions) by rating class on December 31, 2023 were as follows:

(in thousands of EUR)	Rating class 1	Rating class 2	Rating class 3	Total
Cash and cash equivalents	30,554	—	—	**30,554**
Receivables from Adtran Holdings, Inc. due to loss absorption	—	23,934	—	**23,934**
Other current financial assets	19,617	—	—	**19,617**
Other non-current financial assets	23,320	—	—	**23,320**

Adtran Networks has distributed its investments to more than 10 international credit institutions. As of December 31, 2024, one bank was responsible for approximately 75% of all investments (as of December 31, 2023: for approximately 82 %). This results in a risk exposure of EUR 26,639 thousand. (2023: EUR 30,210 thousand).

When concluding contracts with clients, the creditworthiness and credit quality of the client is assessed on the basis of independent ratings, audited financial statements, or historical experience. Depending on the risk assessment, deliveries are made solely only under reasonable payment terms, which may include down payments or advance payments.

Adtran Networks applies the general expected credit loss model for significant financial assets. To measure the expected credit losses on trade receivables carried at amortized cost and contract assets the simplified approach under IFRS 9 is used. Trade receivables are summarized on the basis of common credit risk characteristics and overdue days.

As of December 31, 2024, and 2023, the expected loss ratios are based on historical payment profiles of receivables and the corresponding historical defaults. There are adjusted to reflect up-to-date and forward-looking information on macroeconomic factors (such as geopolitical events, currency fluctuations, inflation, trade conflicts, state subsidies) that may affect clients' solvency. Contract assets relate to work that has not yet been invoiced, and accordingly have the same risk characteristics as trade receivables of the underlying contracts.

In addition, Adtran Networks applies a specified valuation allowance if certain criteria are met. This applies in case of bankruptcy, knowledge of impending insolvency proceedings or if financial assets are overdue more than one year.

Regarding major other financial assets Adtran Networks reviews the risk on a case-by-case basis considering the counterparty-specific credit default swaps or assumptions regarding the expected creditworthiness of the contractual partners.

The following table shows the overdue structure of gross amounts of trade accounts receivable and contract assets by as of December 31, 2024:

(in thousands of EUR)	Not yet due	Overdue up to 90 days	90 – 180 days overdue	180 days to 1 year overdue	Credit impaired	Total
Trade accounts receivable (simplified approach)	91,327	10,068	2,452	2,419	4,904	111,169
Contract assets	211	—	—	—	—	211

As of December 31, 2023, the overdue structure of gross amounts of trade receivables and contract assets were as follows:

(in thousands of EUR)	Not yet due	Overdue up to 90 days	90 – 180 day overdue	180 days to 1 year overdue	credit impaired	Total
Trade accounts receivable (simplified approach)	94,418	16,382	2,469	1,659	4,525	119,453
Contract assets	340	—	—	—	—	340

Due to immateriality, no valuation allowances were recognized relating to contract assets as of December 31, 2024, and 2023. The reconciliation of risk provisions for trade receivables is shown in note (10).

For other financial assets carried at amortized cost with a total carrying amount of EUR 54,503 thousand (prior year: EUR 42,937 thousand), as well as for the receivables from Adtran Holdings, Inc. from loss absorption and the loans granted the group analyzes the risk on a case-by-case basis. As of December 31, 2024, and 2023, there were no significant default risks. Therefore, no valuation allowances were recognized.

Liquidity risk

Risk exposure

In general, the inability to meet its financial obligations, such as servicing its debts, composes the liquidity risk of Adtran Networks.

Risk management

Management uses rolling forecasts to monitor the group’s liquidity reserves, consisting of cash and cash equivalents based on expected cash flows and unused credit lines. To manage liquidity, Adtran Networks considers compliance with internally defined operating liquidity at all times.

The group’s liquidity management policies include the forecast of cash flows in the major currencies and the assessment of required cash in these currencies, the monitoring of balance sheet liquidity ratios and the management of debt financing plans. In general, Adtran Networks pursues a conservative and risk-avoiding strategy.

Financing agreements

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. At December 31, 2024, Adtran Networks SE has drawn USD 49,000 thousand (EUR 46,917 thousand) out of this agreement. The loan matures on July 18, 2027 and can be repaid fully or in part at any time. At December 31, 2024, the variable interest rate for the loan amounts to 8.77 % p.a.

See also note (17) on liabilities to banks and note (36) on capital management.

Maturities of financial liabilities

The table below analyzes the group's undiscounted cash outflows for non-derivative financial liabilities according to their maturity based on the remaining time at the balance sheet date to the contractual maturity date:

(in thousands of EUR, on Dec. 31, 2024)	Note	Carrying value	Future cash flows					
			≤ 12 months		13 – 36 months		> 36 months	
			Redemption	Interest	Redemption	Interest	Redemption	Interest
Lease liabilities	(16)	28,800	6,047	1,192	9,351	1,843	13,402	2,642
Liabilities to banks	(17)	68,420	21,503	—	46,917	10,290	—	—
Trade accounts payable	(18)	48,578	48,578	—	—	—	—	—
Other financial liabilities	(18)	5,192	4,613	—	579	—	—	—
		150,991	**80,742**	**1,192**	**56,847**	**12,133**	**13,402**	**2,642**

*) The future interest on the financial liabilities to Adtran Holdings, Inc. was calculated on the assumption that the current balance will not be repaid until the end of the term of the contract and that no further borrowings or repayments will be made until then.

(in thousands of EUR, on Dec. 31, 2023)	Note	Carrying value	Future cash flows					
			≤ 12 months		13 – 36 months		> 36 months	
			Redemption	Interest	Redemption	Interest	Redemption	Interest
Lease liabilities	(16)	30,828	5,558	1,167	10,141	2,129	15,129	3,175
Liabilities to banks	(17)	13,286	13,286	—	—	—	—	—
Financial liabilities to Adtran Holdings, Inc. *)	(17)	52,773	—	2,012	—	4,258	52,773	2,447
Trade accounts payable	(18)	43,123	43,123	—	—	—	—	—
Other financial liabilities	(18)	3,059	2,199	—	589	—	271	—
		143,069	**64,166**	**3,179**	**10,730**	**6,387**	**68,173**	**5,622**

*) The future interest on the financial liabilities to Adtran Holdings, Inc. was calculated on the assumption that the current balance will not be repaid until the end of the term of the contract and that no further borrowings or repayments will be made until then.

The nominal value of derivatives outstanding at year end 2023 (maturing in 2024) which were marked at a negative fair value was EUR 18,008 thousand. As at year end 2024, none of the derivatives outstanding were marked at a negative fair value.

(36) Capital management

Risk management

Adtran Networks' capital management aims to ensure the continued existence of the company and optimization of its capital structure to reduce its cost of capital.

The group defines capital as the sum of equity and financial liabilities. On December 31, 2024, financial debt amounted to EUR 97,220 thousand (prior year: EUR 96,887 thousand). Equity on December 31, 2024, amounted to EUR 388,166 thousand or 57.9 % of the balance sheet total (previous year: EUR 395,698 thousand or 59.1 % of the balance sheet total). Adtran Networks aims for an equity ratio of at least 30 %. The equity ratio was met in the past financial year.

Financial covenants

The bank loan of EUR 46,917 thousand (USD 49,000 thousand) reported in the balance sheet as non-current financial debt has a contractually fixed term until July 18, 2027. Aside from customary covenants related to representations and warranties, information requirements, among others, Adtran Holdings Inc. is subject to specific financial covenants which are tested on a group, consolidated basis at the Adtran Holdings, Inc. level.

Adtran Holdings, Inc. must maintain a net leverage ratio, defined as senior secured indebtedness less up to USD 75 million in cash, divided by adjusted EBITDA for the past 12 months, not exceeding 3.25 at each measurement date. As of December 31, 2024, Adtran Holdings, Inc.'s net leverage ratio was 2.23.

Additionally, Adtran Holdings, Inc. is required to maintain a fixed charge coverage ratio of at least 1.25, calculated as adjusted EBITDA minus taxes, divided by interest and amortization charges. As of December 31, 2024, this ratio stood at 2.20.

Management expects continued compliance with all loan agreements throughout the term.

(37) Other financial obligations and financial commitments

On December 31, 2024, the group had purchase commitments totaling EUR 60,385 thousand (on December 31, 2023: EUR 46,341 thousand) in respect to suppliers.

Group entities have issued guarantees in favor of customers. On December 31, 2024, performance bonds with a maximum guaranteed amount of EUR 200 thousand were issued (on December 31, 2023: EUR 231 thousand). Based on experience from prior periods, Adtran Networks does not expect claims from these guarantees at year-end 2024.

The Senior Secured Credit Facility described in note (17) 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, with the exception of the excluded assets, which include any real property ownership and leasehold interests in real property.

(38) Contigent 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 December 31, 2024, Adtran Networks does not expect potential titles or litigations in detail or in total that will have a material impact on its financial position or operating performance.

(39) Audit fees and other services from auditors

Due to the mandatory audit firm rotation, KPMG AG Wirtschaftsprüfungsgesellschaft has been appointed as the auditor of the company and the group by the Annual General Meeting on June 28, 2024.

In 2024 and 2023, the following fees charged by the legal auditor were recognized as expenses:

(in thousands of EUR)	Fees 2024 (KPMG)	Fees 2023 (PwC)
Year-end audit	1,381	1,483
thereof KPMG network companies	*175*	—
Other assurance services	266	53
	1,647	**1,536**

The audit fees for KPMG AG Wirtschaftsprüfungsgesellschaft are related to the audit of the consolidated financial statements and the annual financial statements, including the combined management report of Adtran Networks SE. Additionally, the annual audit was performed for a German subsidiary.

The other assurance services for the financial year include costs for the assurance of the combined separate non-financial report.

(40) Share-based payment instruments

Adtran Networks SE stock options

The company has issued stock options for employees (Plan XIV) and for management board (Plan XIVa) in the previous years.

All contracts stipulated a general four-year vesting period and a total contractual life of seven years for the respective rights issue. The rights could only be exercised if the volume weighted average of the company share closing prices on the ten stock exchange trading days before the first day of each exercise period in which the option is exercised is at least 120 % of the purchase price. In addition, options issued to the management board from Plan XIVa included a profit limitation.

All option rights were non-transferable. They could only be exercised as long as the entitled person was employed on a permanent contract by the company or by a company in which Adtran Networks SE has direct or indirect interest. Option rights issued to apprentices could only be exercised if the apprentices were hired by the company or by an affiliated company on a permanent contract. All option rights expired upon termination of the employment contract. In the event that the person entitled dies, becomes unable to work or retires, special provisions came into force.

Subject to the conditions under which option rights were issued, each option right entitled the individual to purchase one common share in the company. The conditions of issue specified the term, the exercise price (strike price), any qualifying periods and the defined exercise periods.

Exercise periods were regularly linked to key business events in the company's calendar and each had a defined term. Certain other business events could lead to blocking periods, during which option rights cannot be exercised. Insofar as regular exercise periods overlapped with such blocking periods, the exercise deadline should be extended by the corresponding number of exercise days immediately after the end of such a blocking period. Option rights could have been exercised only on days on which commercial banks are open in Frankfurt am Main, Germany.

The fair value of stock options was valued using a Monte Carlo simulation. For the calculation of the fair value of options, Adtran Networks assumed that no dividends will be paid to stockholders.

No option rights were issued by Adtran Networks SE in 2024. All stock options outstanding as of December 31, 2023 were redeemed in cash in the 2024.

Exchange of stock options of Adtran Networks SE

In 2022, in relation to and prior to the final closing of the business combination agreement with Adtran Holdings, Inc. ("Adtran"), Adtran communicated an offer to all Adtran Networks employees to voluntarily convert the held options from all existing Adtran Networks stock options plans into share-based compensation instruments of Adtran 2015 Employee Stock Incentive Plan and 2020 Employee Stock Incentive Plan. The management board committed to convert all outstanding options. The employees could choose for each grant date, if all outstanding options from these grant date will be converted or not. The Adtran Options received in the conversion shall be subject to the terms of the Adtran plan with the following exceptions:

(a) In case of a consent, the outstanding Adtran Networks options (whether vested or unvested) converted into the right to acquire such number of shares in Adtran that is equal to the number of Adtran Networks Options multiplied by 0.8244, rounded down to the nearest whole share (each right to acquire one (1) share in Adtran is one (1) "Adtran Option"). The original exercise price of Adtran Networks was multiplied by 0.8244 and converted with the exchange rate either at the time of the consent letter or on the date of the close of the business combination agreement, depending on which is more favorable to the options holder.

(b) Vesting periods of Adtran options shall continue to be calculated from the date of grant of the converted Adtran Networks options.

(c)The expiration dates of the Adtran Networks options shall continue to be determined by the terms of the Adtran Networks option agreements.

Each exercise may not be made for less than 100 shares or, if less, the total remaining shares subject to the stock option. No special exercise periods exist at Adtran.

Share-based payment instruments of Adtran Holdings, Inc.

In 2024, Adtran granted from 2020 Employee Stock Incentive Plan („2020 Employee Plan”) and 2020 Directors Stock Plan („2020 Directors Plan”) Restricted stock units (RSUs) and Performance stock units (PSUs) to Adtran Networks employees and members of the Adtran Network management board. In May 2024, the new plans 2024 Employee Stock Incentive Plan (“2024 Employee Plan”) and 2024 Directors Stock Plan (“2024 Directors Plan”) came into effect and replaced the old plans. The basic conditions remain unchanged.

Under the „2024 Employee Plan”, Adtran is authorized to issue shares of common stock to certain employees, through incentive stock options and non-qualified stock options, stock appreciation rights, RSUs and restricted stock, any of which may be subject to performance-based conditions. RSUs and restricted stock granted under the „2024 Employee Plan” will typically vest pursuant to a four-year vesting schedule beginning on the first anniversary of the grant date. Stock options granted under the „2024 Employee Plan” will typically become exercisable beginning after one year of continued employment, normally pursuant to a four-year vesting schedule beginning on the first anniversary of the grant date and have a ten-year contractual term.

Under the „2024 Directors Plan”, Adtran is authorized to issue shares of common stock through stock options, restricted stock and RSUs to directors. Stock awards issued under the „2024 Directors Plan” typically will become vested in full on the first anniversary of the grant date. Stock options issued under the „2024 Directors Plan” will have a ten-year contractual term.

RSUs are awards of a unit representing one share of common stock of Adtran 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. The lifetime of these instruments is four years with 25% of RSUs vesting each year. RSUs are valued at share price at grant date. RSU shall generally be settled in shares of common stock of Adtran immediately following the date they vest. The fair value of RSUs is equal to the closing price of Adtran on the grant date.

For market-based PSUs, the number of shares of common stock earned by a recipient is subject to a market condition based on Adtran’s relative total shareholder return against all companies in the NASDAQ Telecommunications Index at the end of a threeyear performance period. Depending on the relative total shareholder return over the performance period, the recipient may earn from 0% to 150% of the shares underlying the PSUs, with the shares earned distributed upon the vesting. The fair value of the award is based on the market price of our common stock on the date of grant, adjusted for the expected outcome of the impact of market conditions using a Monte Carlo Simulation valuation method. A portion of the granted PSUs vests and the underlying shares become deliverable upon the death or disability of the recipient or upon a change of control of Adtran, as defined by the “2024 Employee Plan”. The recipients of the PSUs receive dividend credits based on the shares of common stock underlying the PSUs. The dividend credits vest and are earned in the same manner as the PSUs and are paid in cash upon the issuance of common stock for the PSUs.

During 2024 and 2023, Adtran granted performance-based PSUs to its executive officers and certain employees. The grant-date fair value of these performance-based PSUs is based on the closing price of the Adtran's stock on the date of grant. These awards vest over either a two or three-year period, subject to the grantee's continued employment, with the ability to earn shares in a range of 0% to either 100% or 150% of the awarded number of PSUs based on the achievement of defined performance targets.

The following computation parameters apply for RSUs and PSUs issued in 2024 by Adtran:

	Employees		Management board		
	RSUs	PSUs	RSUs	Annual PSUs	3-year plan PSUs
Weighted average share price (in USD)	6.95	6.95	6.95	6.95	5.81
Weighted expected volatility (in % per year)	n/a	51.34	n/a	51.34	n/a
Term (in years)	4.00	3.00	4.00	3.00	2.00
Weighted risk-free interest rate (in % per year)	n/a	4.12	n/a	4.12	n/a
Average fair value of RSUs and PSUs (in USD)	6.95	8.29	6.95	8.29	5.81

The volatility is specified as fluctuation of the share price compared to the average share price of the period. In each case, expected volatility is calculated based on historic share prices (historic volatility). The risk-free interest rate is based on information on risk-free investments with corresponding terms.

The valuation assumed that the PSUs vest after the end of the vesting period (early vesting). PSU and RSU programs do not contain an exercise price.

The tables below present changes in the number of outstanding option rights, RSUs and PSUs.

Stock option program XIV of Adtran Networks SE for employees

	Number of options	Weighted average strike price (in EUR)
Options outstanding on Jan. 1, 2023	**81,000**	**8.00**
Granted options	—	
Exercised options	(50,000)	6.92
Forfeited options	(12,500)	9.47
Expired options	(1,000)	8.70
Options outstanding on Dec. 31, 2023	**17,500**	**10.00**
Granted options	—	—
Exercised options	(17,500)	10.00
Forfeited options	—	—
Expired options	—	—
Options outstanding on Dec. 31, 2024	**—**	**—**
Of which exercisable	—	—
Further information	**2024**	**2023**
Weighted average remaining contractual life (in years)	—	4.48
Weighted average share price on the date of exercise (in EUR)	20	19.78
The strike price for these options (in EUR)	n/a	10.00

Stock options of Adtran Holdings, Inc. for employees

	Number of options	Weighted average strike price (in USD)
Options outstanding on Dec. 31, 2022	**—**	**—**
Options received from the exchange	1,123,763	10.18
Granted options	624,410	5.31
Exercised options	(8,427)	8.72
Forfeited options	(81,113)	11.13
Expired options	(28,579)	9.71
Options outstanding on Dec. 31, 2023	**1,630,054**	**8.13**
Transferred options from Adtran, Inc. *	24,453	10.34
Granted options	—	—
Exercised options	(78,071)	6.10
Forfeited options	(132,693)	7.58
Expired options	(89,682)	8.67
Options outstanding on Dec. 31, 2024	**1,354,061**	**8.50**
Of which exercisable	708,298	7.43
Further information	**2024**	**2023**
Weighted average remaining contractual life (in years) on Dec. 31	4.95	5.18
Average fair value of stock options granted (in USD)	—	2.99
Weighted average share price on the date of exercise (in USD)	7.96	14.65
The strike price for these options is between (in USD)	5,23 - 19,08	5,23 - 19,08

*Options transferred from Adtran, Inc. relate to transfers of employees from Adtran, Inc. to Adtran Networks.

Stock options of Adtran Holdings, Inc. for active and prior management board members

	Number of options	Weighted average strike price (in USD)
Options outstanding on Dec. 31, 2022	**834,138**	**12.59**
Addition Thomas R. Stanton*	263,780	19.00
Granted options	—	—
Exercised options	(15,000)	6.06
Forfeited options **	(232,007)	12.71
Expired options	(78,817)	23.07
Options outstanding on Dec. 31, 2023	**772,094**	**13.80**
Granted options	—	—
Exercised options	(35,994)	6.06
Forfeited options	(221,647)	11.91
Expired options	—	—
Options outstanding on Dec. 31, 2024	**514,453**	**15.16**
Of which exercisable	135,427	12.80
Further information	**2024**	**2023**
Weighted average remaining contractual life (in years) on Dec. 31	3.24	3.72
Average fair value of stock options granted (in USD)	—	—
Weighted average share price on the date of exercise (in USD)	7.01	6.92
The strike price for these options is between (in USD)	7,01 - 19,08	7,01 - 19,08

* 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.

RSUs for the employees

	Number of RSUs
RSUs outstanding on Dec. 31, 2022	**—**
Granted RSUs	162,368
Converted (vested) RSUs	—
Forfeited RSUs	(8,940)
Expired RSUs	—
RSUs outstanding on Dec. 31, 2023	**153,428**
Transferred RSUs from Adtran, Inc. *	5,031
Granted RSUs	277,530
Converted (vested) RSUs	(40,232)
Forfeited RSUs	(19,979)
Expired RSUs	—
RSUs outstanding on Dec. 31, 2024	**375,778**
Of which vested	25.00
Weighted average remaining contractual life (in years) on Dec. 31, 2024	2.60
Weighted average remaining contractual life (in years) on Dec. 31, 2023	3.11
Average fair value of RSUs granted in the current year (in USD)	6.95
Average fair value of RSUs granted in the prior year (in USD)	17.54
Weighted average share price on the vesting date (in USD) in current year	6.99

*RSUs transferred from Adtran, Inc. relate to transfers of employees from Adtran, Inc. to Adtran Networks.

PSUs for the employees

	Number of PSUs
PSUs outstanding on Dec. 31, 2022	**—**
Granted PSUs	227,334
Converted (vested) PSUs	—
Forfeited PSUs	(18,800)
Expired PSUs	—
PSUs outstanding on Dec. 31, 2023	**208,534**
Transferred PSUs from Adtran, Inc. *	14,000
Granted PSUs	67,898
Converted (vested) PSUs	—
Forfeited PSUs	(34,000)
Expired PSUs	(11,611)
PSUs outstanding on Dec. 31, 2024	**244,821**
Of which vested	—
Weighted average remaining contractual life (in years) on Dec. 31, 2024	1.77
Weighted average remaining contractual life (in years) on Dec. 31, 2023	1.99
Average fair value of PSUs granted in the current year (in USD)	8.29
Average fair value of PSUs granted in the prior year (in USD)	16.28

*PSUs transferred from Adtran, Inc. relate to transfers of employees from Adtran, Inc. to Adtran Networks.

RSUs for the management board

	Number of RSUs
RSUs outstanding on Dec. 31, 2022	**349,282**
Granted RSUs	103,703
Converted (vested) RSUs	(87,049)
Forfeited RSUs	—
Expired RSUs	—
RSUs outstanding on Dec. 31, 2023	**365,936**
Granted RSUs	155,323
Converted (vested) RSUs	(242,290)
Forfeited RSUs	—
Expired RSUs	—
RSUs outstanding on Dec. 31, 2024	**278,969**
Of which vested	—
Weighted average remaining contractual life (in years) on Dec. 31, 2024	2.00
Weighted average remaining contractual life (in years) on Dec. 31, 2023	1.92
Average fair value of RSUs granted in the current year (in USD)	6.95
Average fair value of RSUs granted in the prior year (in USD)	16.83
Weighted average share price on the vesting date (in USD) in current year	6.30
Weighted average share price on the vesting date (in USD) in prior year	13.84

PSUs for the management board

	Number of annual PSUs	Number of 3-year plan PSUs	Number of Integration bonus PSUs
PSUs outstanding on Dec. 31, 2022	**97,991**	**—**	**—**
Granted PSUs	81,916	192,656	69,933
Converted (vested) PSUs	—	—	—
Forfeited PSUs	—	—	—
Expired PSUs	—	—	—
PSUs outstanding on Dec. 31, 2023	**179,907**	**192,656**	**69,933**
Granted PSUs	122,834	72,246	—
Converted (vested) PSUs	—	—	(69,933)
Forfeited PSUs	(97,991)	—	—
Expired PSUs	—	—	—
PSUs outstanding on Dec. 31, 2024	**204,750**	**264,902**	**—**
Of which vested	—	—	—
Weighted average remaining contractual life (in years) on Dec. 31, 2024	1.69	1.00	—
Weighted average remaining contractual life (in years) on Dec. 31, 2023	2.17	2.05	1.03
Average fair value of PSUs granted in the current year (in USD)	8.29	5.81	—
Average fair value of PSUs granted in the prior year (in USD)	19.80	11.70	13.22
Weighted average share price on the vesting date (in USD) in prior year	—	—	13.22

The outstanding PSUs on December 31, 2022 and 2023 include PSUs of Thomas R. Stanton.

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

(in thousands of EUR)	2024	2023
Stock option program XIV of Adtran Networks SE for employees	24	24
Stock options of Adtran Holdings, Inc. for the management board	952	1,192
Stock options of Adtran Holdings, Inc. for the employees	2,986	2,589
RSUs of Adtran Holdings, Inc.	1,437	1,221
RSUs of Adtran Holdings, Inc. for the management board	106	42
PSUs of Adtran Holdings, Inc.	181	91
PSUs of Adtran Holdings, Inc. for the management board	263	123
	5,949	**5,282**

Share-based compensation expenses result primarily from the granting of share-based compensation instruments by Adtran Holdings, Inc. to employees and management board members of Adtran Networks SE and its subsidiaries, in accordance with IFRS 2.43B (b). Due to the stock compensation recharge agreement with Adtran Holdings, Inc., EUR 3,969 thousand was charged (previous year: EUR 3,756 thousand).

(41) Related party transactions

Adtran Holdings, Inc. and its subsidiaries qualify as related parties to Adtran Networks on December 31, 2024, in the sense of IAS 24. On December 31, 2024, Adtran held a 66.96% share in the equity of Adtran Networks SE.

On December 31, 2024 trade accounts payables amounting to EUR 870 thousand (prior year: EUR 1,382 thousand) and trade accounts receivables amounting to EUR 7,162 thousand (prior year: EUR 980 prior year) existed in respect to to Adtran Holdings, Inc. and its sister company, Adtran, Inc. and its subsidiaries. The receivables relate to the service contracts described below. The liabilities mainly comprise the recharged costs of share-based payment instruments issued by Adtran Holdings, Inc. to employees of Adtran Networks SE and its subsidiaries. In addition, employees of Adtran, Inc. have provided services in connection with the creation of an intangible asset of Adtran Networks in the amount of USD 412 thousand. Furthermore, receivables from Adtran Inc. were purchased as part of a factoring agreement. The matter is described in Note (7). In this context, Adtran Holdings, Inc. issued an independent guarantee to the buyer for the receivables of Adtran Networks SE and Adtran Network North America, Inc.

On December 31, 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. No expenses or income resulted from the reseller agreements in the fiscal year 2024. For the expenses incurred in connection with the stock compensation recharge agreement, please refer to Note (40). In addition, Adtran Networks Poland and Adtran Networks IT India have concluded R&D service agreements with Adtran, Inc. The resulting income amounts to EUR 6,681 thousand for Adtran Networks Poland and EUR 3,436 thousand for Adtran Networks IT India. Furthermore, in 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. The total value of the income from these agreements amounts to EUR 354 thousand.

Adtran Networks has on December 31, 2024, a receivable from the profit and loss transfer agreement amounting to EUR 47,103 thousand (December 31, 2023: EUR 23,934 thousand). The interest income resulting from the receivable amounts to EUR 1,187 thousand at an interest rate of 5%.

Moreover on June 4, 2024, Adtran Networks SE granted Adtran, Inc. a loan of USD 17,121 thousand with a carrying amount of EUR 16,429 thousand as of December 31, 2024. The matter is described in Note (15).

On December 31, 2023, Adtran Networks reported a financial liability to Adtran Holdings, Inc. as described in note (17).

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

Remuneration of the management board and supervisory board is disclosed in note (42).

(42) Governing boards and remuneration

Management board

	Resident in	External mandates
Thomas R. Stanton Chief executive officer	Gurley, Alabama, USA	Chairman of the board and CEO of Adtran Holdings, Inc. Member of the board of Directors of the Economic Development Partnership of Alabama (EDPA) Member of the board of Directors of Cadence Bank
Christoph Glingener Chief technology officer	Jade, Germany	Chief technology officer of Adtran Holdings, Inc. Member of the board of trustees of Fraunhofer Heinrich-Hertz-Institute, Berlin, Germany
Ulrich Dopfer Chief financial officer	Alpharetta, Georgia, USA	Until March 9, 2025, Chief financial officer of Adtran Holdings, Inc.
Scott St. John Chief marketing & sales officer (until January 21, 2023)	Raleigh, North Carolina, USA	–

Supervisory board

	Resident in	Occupation	External mandates
Eduard Scheiterer Chairman (since July 10, 2023)	Geretsried, Germany	Pensioner	–
Johanna Hey (Chairwoman until June 30, 2023)	Cologne, Germany	Professor for tax law, University of Cologne, Cologne, Germany	Member of the supervisory board of Gothaer Versicherungsbank VVaG, Cologne, Germany Member of the supervisory board of Gothaer Finanzholding AG, Cologne, Germany Chairwoman of the supervisory board of Cologne Executive School GmbH, Cologne, Germany Member of the supervisory board of Flossbach von Storch AG, Cologne, Germany Member of the Board of Directors of Adtran Holdings, Inc., Huntsville, AL, USA (until September 30, 2023)
Frank Fischer Vice Chairman	Duesseldorf, Germany	Lawyer and Tax Advisor	–
Heike Kratzenstein	Glonn, Germany	CEO Asmodee Holding GmbH	–

Remuneration of the management board

The total remuneration of the management board recognized in accordance with IFRS is broken down into the various components as follows:

(in thousands of EUR)	2024	2023
Short-term employee benefits	2,008	1,536
Post-employment benefits	—	—
Other long-term benefits	898	—
Termination benefits	—	447
Share-based payment	1,321	1,358
Total compensation	**4,227**	**3,341**

Short-term employee benefits include fixed remuneration, fringe benefits and current variable remuneration. No variable remuneration is included in 2023 as the underlying targets for sales and adjusted EBIT[6] of the Adtran group were not achieved.

The total remuneration granted to active members of the management board according to section 314 Paragraph 1 No. 6a HGB was EUR 5,234 thousand in 2024 and EUR 9,799 thousand in 2023.

This includes share-based compensation with a fair value (market value) at the grant date in 2024 of EUR 999 thousand (previous year: EUR 1,762 thousand) for 155,323 issued RSUs (previous year: 103,703) and EUR 1,329 thousand (previous year: EUR 6,501 thousand) for 122,834 issued PSUs (previous year: 344,505 PSUs). It also includes long-term non-share-based variable compensation granted in fiscal year 2023 in the amount of EUR 898 thousand.

Total remuneration to former members of the management board in accordance with Section 314 paragraph 1 no. 6b HGB was in 2024 and 2023 EUR 0 and EUR 447 thousand.

In 2024 and 2023, no loans were granted to current members of the management board. As of December 31, 2024 and 2023, there were no receivables from members of the management board.

On December 31, the current members of the management board held the following stock options and other share-based remuneration instruments of Adtran Holdings, Inc.:

Options *		RSUs		Annual PSUs		3-year plan PSUs		Integration bonus PSUs	
2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
514,453	772,094	278,969	365,936	204,750	179,907	264,902	192,656	—	69,933

* The number of outstanding options stated in the 2023 Annual Report as of December 31, 2023, also included options held by a former member of the management board. This number has been corrected in Annual Report 2024.

The former members of the management board received cash inflows of EUR 31 thousand from the exercise of stock options in 2024 (2023: EUR 96 thousand). Further details on the stock option programs can be found in note (40).

As of December 31, 2024 and 2023, the active and former members of the management board did not hold any shares in Adtran Networks SE.

Remuneration of the supervisory board

The fixed remuneration to be paid to the supervisory board for 2024 and 2023 totaled EUR 265 thousand and EUR 234 thousand, respectively.

The remuneration for the supervisory board of Adtran Networks SE is paid out in quarterly installments. The fixed remuneration for Q4 2024 amounting to EUR 66 thousand was paid out in January 2025. In the consolidated financial statements, this amount is recognized in other current liabilities.

In 2024, current and former members of the supervisory board received no further compensation, in particular no post-employment benefits (prior year: none).

[6] Adjusted EBIT is defined as the Adtran Holdings group earnings before interest and tax, determined based on the audited financial results, and adjusted to remove any restructuring expenses; acquisition-related expenses and amortization of intangibles; stock-based compensation expense; the non-cash change in fair value of equity investments held in the deferred compensation plan; and any other non-GAAP exclusions approved by the compensation committee of Adtran Holdings, Inc.

On December 31, 2024, no shares or stock options were held by members of the supervisory board (December 31, 2023: none).

(43) Events after the balance sheet date

Recently, the global economy has had to contend with several announcements of tariffs in the USA. The volatility of these tariff announcements is creating significant uncertainty for global trade. Adtran is closely monitoring the situation while actively seeking solutions. We have established a communication channel with our suppliers and customers that will remain open and active as we work to keep all stakeholders informed on how recent tariff actions may affect Adtran products used in building and expanding your networks.

Adtran Networks operates a production facility at the headquarters of its parent company in Huntsville, Alabama, and collaborates with manufacturers outside the USA. This approach ensures an efficient, flexible, and cost-effective supply chain. Adtran Networks will continue to monitor and adjust global production processes as needed to minimize potential tariff impacts. To avoid additional tariffs, the relocation of inventory is being considered to continue meeting customers' short-term needs. Furthermore, Adtran Networks works closely with all suppliers to adapt business models and thereby reduce potential tariff burdens.

The financial impact of the customs announcements and the resulting uncertainties in global trade on the net assets, financial position and results of operations of Adtran Networks SE cannot be estimated at this time.

There were no further events after the balance sheet date that might have a material impact on the net assets and financial position or the results of operations.

Declaration of compliance with the German Corporate Governance Code

Pursuant to section 161 of the German Stock Corporation Law (AktG), the management board and the supervisory board have issued a declaration of compliance with the German Corporate Governance Code. This declaration is published on the group’s website www.adva.com.

Meiningen, April 28, 2025

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, April 28, 2025

Thomas R. Stanton

Christoph Glingener   Ulrich Dopfer

Independant auditor’s report

To Adtran Networks SE, Meiningen

Report on the Audit of the Consolidated Financial Statements and of the Combined management report

Opinions

We have audited the consolidated financial statements of Adtran Networks SE, Meiningen and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2024, the consolidated income statements, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2024, and notes to the consolidated financial statements, including significant information on the accounting policies. In addition, we have audited the report on the situation of the company and the group (hereinafter “combined management report”) of Adtran Networks SE for the financial year from January 1 to December 31, 2024.

In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the “Other Information” section of our auditor’s report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) (hereinafter referred to as “IFRS Accounting Standards”) as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2024, and of its financial performance for the financial year from January 1 to December, 31 2024, and
- the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the “Other Information” section of the auditor’s report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined management report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Material uncertainty about the Company's ability to continue as a going concern

Please refer to Note 2 in the notes to the consolidated financial statements and to the information in the "Risks and opportunities" section of the combined management report, in which the management of Adtran Networks SE describes that the financing of the Company is closely linked to that of the parent company Adtran Holdings, Inc. In addition to the existing domination and profit and loss transfer agreement, Senior Secured Credit Facility with a banking consortium was concluded in 2024; this entails a dependence on the performance of the parent company.

Under this agreement, financial covenants that refer to key financial figures from the consolidated financial statements of the parent company (Adtran Holdings, Inc.) were specified. In the event of the financial covenants being breached, there is a risk that the credit facility of Adtran Networks SE, which was drawn down in the amount of EUR 46.9 million as at 31 December 2024, will be called in.

Management describes in the risk report under "Going concern risk due to financial interdependencies and DPLTA obligations" that the annual financial report of the parent company Adtran Holdings, Inc. as at 31 December 2024, published on 4 March 2025, refers to the option of the minority shareholders of Adtran Networks SE to transfer shares to the parent company in return for cash settlement in the amount of EUR 17.21 per share under the control and profit and loss transfer agreement pursuant to Section 305 AktG [Aktiengesetz: German Stock Corporation Act]. With regard to the cash settlement, several minority shareholders applied for a review of the amount offered as part of appraisal proceedings. From management's standpoint, the appraisal proceedings are not expected to be concluded within the forecast period of 12 months. Management also describes that the market price of the Adtran Networks SE share is currently significantly higher than the cash settlement amount offered, which makes a cash settlement appear unprofitable for investors at present.

They also describe that the published annual financial report of Adtran Holdings, Inc. as at 31 December 2024 indicates that if all minority shareholders were to redeem their right to cash settlement at the same time, a payment obligation of approximately EUR 333.2 million including interest would arise. Further, management stated there is insufficient liquidity at the level of the parent company to service all cash settlements as at the publication date of the annual financial report.

As at 31 December 2024, Adtran Networks SE reported loans to Adtran Inc., a subsidiary of Adtran Holdings, Inc., amounting to EUR 16.4 million and receivables from the 2024 profit and loss transfer amounting to EUR 47.1 million from Adtran Holdings, Inc. The liability from the Senior Secured Credit Facility at Adtran Networks SE amounted to EUR 46.9 million as at 31 December 2024. The cash and cash equivalents of the Adtran Networks SE Group amounted to EUR 27.0 million as at 31 December 2024.

As described in the risks and opportunities section of the combined management report, management has prepared scenarios that model the various possibilities for the financial and economic development of the Adtran Holdings, Inc. Group and various probabilities relating to the right to cash settlement by the minority shareholders being triggered. In this regard, strategic measures to increase profitability and measures to increase liquidity through financing and capital release measures are taken into account. A higher than expected redemption of the cash settlement claim could result in risks for Adtran Networks SE, as there could be a breach of the financial covenants at the level of Adtran Holdings, Inc, with the consequence that the credit facility granted to Adtran Networks SE could become payable. According to current liquidity planning, a breach of the financial covenants at the level of Adtran Holdings, Inc., resulting in the credit facility of Adtran Networks SE becoming payable, would also result in a liquidity gap on the part of Adtran Networks SE in the first half of 2025. If it is not possible in this situation to agree a waiver with the banking consortium or to obtain financing from third parties or liquidity through own capital release measures, this could lead to a default.

As described in the notes to the consolidated financial statements and in the "Risks and opportunities" section of the combined management report, these events and conditions indicate considerable uncertainty that may cast significant doubt on the Company's ability to continue its business activities and which represents a risk that could affect the Company's ability to continue as a going concern within the meaning of Section 322 (2) sentence 3 HGB.

In accordance with Article°10 (2) c) ii) of the EU Audit Regulation, we summarise our audit response with regard to this risk as follows:

In the course of our audit, we therefore identified the appropriateness of the going concern assumption as well as the appropriate presentation of the material uncertainty in connection with the ability to continue as a going concern as a material risk and conducted the following audit procedures, among others: We first analysed the current liquidity situation at the level of Adtran Networks SE. We also evaluated the annual financial report of Adtran Holdings, Inc., published on 4 March 2025, with regard to the liquidity situation presented therein and compared it with the risk analysis regarding the going concern assumption prepared for this by the management of Adtran Holdings, Inc. Based on this, we then looked at the liquidity planning of Adtran Networks SE for the forecast period. The basis for this liquidity planning is the Company's current business planning. To this end, we first gained an understanding of the planning process and discussed the key planning assumptions with those responsible for planning. Furthermore, we investigated the Company's planning accuracy by comparing budgeted figures from earlier financial years with the earnings actually realised and by analysing any deviations.

Management also submitted a written going concern forecast. Taking into account this going concern forecast and the current financial position, we obtained explanations from management regarding the liquidity increase and capital release measures assumed in the scenario analyses and compared them with appropriate audit evidence. We assessed the significant assumptions concerning viability. With regard to the risks from the claim on Adtran Holdings, Inc. in connection with settlement rights of minority shareholders, we had management explain to us the underlying assessment of the probability of claims being asserted in the next 12 months. Moreover, we requested an external confirmation from the advising lawyer regarding the appraisal proceedings and compared these findings with management's assessment.

In addition, we examined the scenario analyses with regard to the possibility of the financial covenants being breached. We also evaluated the loan agreement (Senior Secured Credit Facility) concluded with a banking consortium and discussed the findings with the management and legal department of the Company.

We do not express a separate opinion on these matters.

The assumptions made by management and the presentation in the notes to the consolidated financial statements and combined management report are reasonable.

Our opinions on the consolidated financial statements and the combined management report have not been modified in this regard.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2024. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. In addition to the matter described in the section entitled "Material Uncertainty about the Company's Ability to Continue as a Going Concern" we have identified the matters described below as key audit matters, which must be communicated in our independent auditor's report.

Recoverability of goodwill

Please refer to Note 5 in the notes to the consolidated financial statements for further information on the accounting policies applied and the assumptions used. Disclosures on the value of goodwill and on the amount of the impairment can be found under Note 14 in the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

As at 31 December 2024, goodwill amounted to EUR 50.2 million and, at 7.5% of total assets, it accounts for a substantial share of assets.

Goodwill is tested annually at the level of the identified cash-generating units for impairment irrespective of any triggering events. If impairment triggers arise during the financial year, an event-driven impairment test is also carried out during the year. For goodwill impairment testing, the carrying amount is compared with the recoverable amount of the respective cash-generating unit. If the carrying amount exceeds the recoverable amount, an impairment loss must be recognised. The recoverable amount is the higher amount of fair value less costs to sell and value in use of the cash-generating unit. The reporting date for the impairment test is December 31, 2024

The goodwill impairment test is complex and is based on a number of assumptions requiring judgement. These include the expected business and earnings performance of the cash-generating units for the next four years, the assumed long-term growth rates and the discount rate applied.

The significantly weaker investment behavior of customers in 2024, which was due in particular to customers reducing their inventories built up during the semiconductor crisis and accordingly launching fewer new orders, combined with the lower sales forecast in subsequent years, will lead to lower expected future earnings contributions and lower EBITDA margins. The reduction in expected future cash inflows resulted in an impairment loss on goodwill in the amount of EUR 17.4 million of the cash generating unit Adtran Networks SE plus. If the deterioration in earnings prospects is greater than expected or an increase in the discount rate occurs, further impairment losses will need to be recognised.

There is the risk for the consolidated financial statements that the identified impairment loss is not recognised in the amount required. There is also the risk that the related disclosures in the notes are not appropriate.

OUR AUDIT APPROACH

With the involvement of our valuation experts, among other things we assessed the appropriateness of key assumptions and the calculation method. To this end, we discussed the expected business and earnings development as well as the assumed long-term growth rates with those responsible for planning. We also reconciled this information with the budget prepared by management and approved by the Supervisory Board. We also evaluated the consistency of the assumptions with external market assessments.

Furthermore, we investigated the Company's planning accuracy by comparing budgeted figures from earlier financial years with the earnings actually realised and by analysing any deviations. We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To assess the methodically and mathematically correct implementation of the valuation method, we verified the Company's valuation using our own calculations and analysed deviations. In order to account for the forecast uncertainty, we also examined the effects of possible changes in the discount rate, the assumed business and earnings development and the long-term growth rate by calculating alternative scenarios and comparing them with the Company's valuation results. Finally, we assessed whether the disclosures in the notes on the recoverability of goodwill are appropriate.

OUR OBSERVATIONS

The calculation method used for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied.

The Company's assumptions and data underlying the measurement are appropriate.

The related disclosures in the notes are appropriate.

Recognition of internally generated intangible assets

Please refer to Note 5 in the notes to the consolidated financial statements for information on the accounting policies applied and the assumptions used. Disclosures on the amount of internally generated intangible assets can be found under Note 14 in the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

The internally generated intangible assets reported in the consolidated financial statements under "capitalised development projects" amounted to EUR 100.6 million as at 31 December 2024 and, at 15.0% of total assets, are of considerable significance for the financial position.

Development costs are capitalised if the capitalisation requirements of IAS 38 are cumulatively met and are essentially based on the assessment of management that the technical feasibility has been demonstrated and the development project will generate an inflow of economic benefits. Assets that are not ready for use are tested annually for impairment at the level of the cash-generating unit in accordance with the requirements of IAS 36.10(a). Furthermore, if there are triggering events, an impairment test is carried out at the level of the cash-generating unit regardless of the cause.

There is the risk for the consolidated financial statements that the recognition criteria according to IAS 38 for developments projects are not in place as at the reporting date. In addition, there is the risk that existing impairment losses were not recognised or that the calculated impairment losses are not appropriate.

OUR AUDIT APPROACH

We initially obtained an understanding of the product development process and the Company's process for capitalising development costs and for assessing their recoverability and evaluated whether the accounting-related manual and IT-based internal controls contained therein were appropriately designed and implemented. Based on the results, we tested the operating effectiveness of selected controls.

With regard to the development projects capitalized for the first time in the 2024 financial year, we used a deliberate selection process to check whether the criteria for capitalization in accordance with IAS 38.57 were met. Furthermore, we used a mathematical-statistical sample to examine whether the project-specific development hours and other expenses were allocated to the development projects as incurred. For this sample, we also verified and evaluated the determination of the hourly rates used to measure the development hours.

With regard to impairment testing, with the involvement of our valuation specialists we analysed whether the procedure is in accordance with IAS 36 and whether the key assumptions are plausible, taking into account the current financial development of the Group and the approved planning for subsequent years.

OUR OBSERVATIONS

The recognition criteria for internally generated intangible assets are met.

The underlying approach for the impairment testing of capitalised development costs is appropriate and in line with the accounting policies to be applied. The Company’s assumptions and data are appropriate.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- The combined non-financial report, referred to in the combined management report
- The combined corporate governance statement, referred to in the combined management report, and
- information extraneous to management reports and marked as unaudited.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor’s report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined management report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i. e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control or of these arrangements and measures.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on

the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Plan and perform the audit of the consolidated financial statements to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business segments within the Group to provide a basis for our opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined management report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file Adtran_SE_KA+LB_ESEF_2025-04-28.zip (SHA256-Hashwert: 53cf887c9c1675643a41e624ddeccc8d7c0e348ad8d0cafca7ef045c17b6213f) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2024 contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i. e. whether the file made available containing the ESEF documents meets the requirements of the Commission Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Commission Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor of the consolidated financial statements at the annual general meeting on 28 June 2024. We were engaged by the audit committee on 2 December 2024. We have been the auditor of the consolidated financial statements of Adtran Networks SE without interruption since financial year 2024.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be entered in the German Company Register [Unternehmensregister] – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Burkhard Lauer.

Leipzig, April 28, 2025

KPMG AG
Wirtschaftsprüfungsgesellschaft

[signature] Lauer
Wirtschaftsprüfer
[German Public Auditor]

[signature] Marschner
Wirtschaftsprüferin
[German Public Auditor]

Additional information

Report of the supervisory board

In the 2024 financial year, the supervisory board once again performed its duties under the law and the company's articles. It carefully and continuously monitored the management board and supported it in all strategic matters. The supervisory board has been directly involved in the early stages of all important strategic decisions of the company. During a total of seven ordinary meetings, in which all members of the supervisory board and the members of the management board regularly participated, the management board consistently, promptly and extensively informed the supervisory board about the business situation of the company and the group. In addition, the supervisory board occasionally consults before or after the regular meetings without the management board being present. In particular, the supervisory board was informed on matters regarding strategic orientation, market development and prospects for growth, as well as on the development of net assets, financial position and profitability, including budgeting, investments, personnel, compliance, internal audit and risk management. The supervisory board extensively discussed all important business issues on the basis of the management board's reports. Any deviations of the actual business development from the group's plans and objectives were thoroughly explained by the management board and reviewed by the supervisory board. The supervisory board gave its approvals to all important decisions, after thorough examination and consultation, where required by law or the company's articles and acting in the best interest of the company and the group. Furthermore, on urgent matters resolutions were passed outside of meetings during the year. Moreover, especially the chairman and the vice chairman of the supervisory board maintained regular contact with individual members of the management board outside of scheduled meetings and were kept up-to-date with respect to current business developments, important transactions and forthcoming decisions. Furthermore, the supervisory board held five extraordinary meetings in the fiscal year 2024. For a breakdown of which of the meetings were held face-to-face or as video or telephone conferences and the individual participation, please refer to the tables at the end of this report.

Main management board activities covered and examined by the supervisory board

In addition to the ongoing integration process following the takeover and the entry into force of the domination and profit and loss transfer agreement with ADTRAN Holdings. Inc., the supervisory board discussions in 2024 focused mainly on the business development and strategic direction of the company and the group, particularly its revenue, earnings and headcount development, and Adtran Networks SE financial situation. In this context, new opportunities for revenue growth and the development of margins were discussed.

The supervisory board closely monitored and supported the activities of the management board, including discussions on corporate governance. It discussed the group's organization and key business processes with the management board and assured itself of the efficiency of this organization and these processes. The management board submitted to the supervisory board all transactions and decisions requiring approval according to the company's articles. The supervisory board approved all such transactions and decisions.

Committees

In order to perform its tasks efficiently, the supervisory board continued to maintain two committees during 2024, the audit committee and the compensation and nomination committee.

In the 2024 financial year, the audit committee consisted of Frank Fischer (Chairman), Eduard Scheiterer and Heike Kratzenstein. The compensation and nomination committee consisted in the 2024 financial year of Eduard Scheiterer (Chairman), Frank Fischer and Heike Kratzenstein.

The audit committee held five meetings during the reporting period. In this respect, too, reference is made to the tables at the end for a breakdown of the individual participation in the meeting and the modalities of the meeting. In addition to reviewing the consolidated annual and three quarterly financial statements and group management reports as well as the company's annual financial statements and management report, the audit committee discussed the financial position and performance of the group, the appointment of the external auditor, the audit scope for 2024, the development of tax positions and risks, internal audit activities, as well as the effectiveness of the internal controls related to financial reporting and of the risk management system.

The compensation and nomination committee sat three times during the reporting period. The committee's discussions focused in particular on the remuneration and the contract extensions of the management board members. Individual meeting attendance and meeting modalities are detailed in the tables at the end of the report

Reports on the work of the supervisory board committees were regularly presented and discussed during the subsequent supervisory board plenary meeting.

Education and training measures

The supervisory board members take responsibility for the training and further education measures required for their tasks and receive appropriate support from the company if necessary.

Corporate Governance Code

The supervisory board welcomes the German Corporate Governance Code and supports its objectives. The supervisory board has agreed to comply with most of the recommendations and proposals of the Corporate Governance Code within the Adtran Networks organization. In its meeting on October 28, 2024, the supervisory board discussed the deviations from the Code and jointly issued the regularly scheduled update on the declaration of compliance in accordance with section 161 AktG. The declaration is made permanently available to shareholders on the company’s website.

Annual financial statements and management reports

Adtran Networks' consolidated annual financial statements for the year ended December 31, 2024, and Adtran Networks SE’s annual financial statements for the year ended December 31, 2024, as well as the combined management report of the Adtran Networks group and Adtran Networks SE for the fiscal year 2024 were audited by the company’s appointed auditor for 2024, KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig, who issued unqualified audit opinions. Pursuant to section 315e of the German Commercial Code (Handelsgesetzbuch, HGB), the consolidated annual financial statements have been prepared according to International Financial Reporting Standards (IFRS) as enacted in the EU. All management letter points issued by the auditor were taken up, discussed with the management board, and their consideration was ensured. In addition, the 2024 remuneration report was also audited by the company's appointed auditor and issued with an unqualified opinion.

All relevant accounting documents, financial reports and audit reports were submitted to the supervisory board members prior to the meeting of the supervisory board dealing with the company’s and group’s 2024 financial statements. On February 20, March 13 and April 28, 2025, these documents were discussed and examined in detail jointly by the audit committee and the auditor and in consideration of the auditor’s long-form report. The audit committee reported its findings to the entire supervisory board in its meeting on April 28, 2025. Furthermore, the auditor, who was present in both meetings, reported on the material results of the audit, explained net assets, the financial position and the results of operations of the company and the group, and was available to answer additional questions from the members of the supervisory board.

In view and consideration of these audit reports and on the basis of the additional information provided by the auditor, the supervisory board discussed and examined in detail the financial statements and management reports in its meeting on April 28, 2025. It unanimously approved Adtran Networks SE’s annual financial statements and management report, as well as Adtran Networks' consolidated annual financial statements and group management report. The annual financial statements of Adtran Networks SE for the fiscal year 2024 are thereby adopted.

Combined separate non-financial report

The company’s auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig, was also engaged to perform a voluntary limited assurance engagement in accordance with ISAE 3000 (Revised) on the combined separate non-financial (group) report. KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig issued an unqualified audit opinion. The combined separate non-financial (group) report and the audit opinion of KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig were forwarded to the members of the supervisory board in good time. In its meeting on April 28, 2025, the supervisory board intensively discussed, examined and approved the combined separate non-financial (Group) report. There were no indications for objections to the combined separate non-financial (Group) report or the assessment by KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig.

Changes within the management and supervisory boards

Within the fiscal year 2024, personnel no changes occurred in both the management and supervisory board.

The supervisory board would like to express its appreciation for the personal dedication, performance and the ongoing commitment of the management board and all employees of the company and the group during 2024.

Individual participation in the meetings according to D.7 DCGK

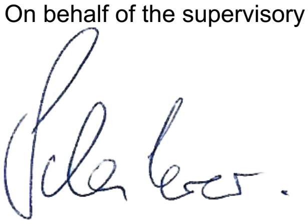
	Plenum	Audit Committee	Compensation and Nomination Committee
Frank Fischer	7/7	5/5	3/3
Eduard Scheiterer	7/7	5/5	3/3
Heike Kratzenstein	7/7	5/5	3/3

Modality of meeting participation according to D.7 DCGK

	Plenum	Audit Committee	Compensation and Nomination Committee
Presence	1	0	0
Video conference	6	5	3
Telephone conference	0	0	0

April 28, 2025

On behalf of the supervisory board:



Dr. Eduard Scheiterer
Chairman of the supervisory board

Corporate information

Corporate headquarters

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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 annual report, as well as quarterly reports, presentations and general investor information, are also located on the company's website and can be downloaded in both English and German. Related PDF, audio and transcript files are available for download in the investor relations section of the group's website, www.adva.com.

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Auditor

KPMG AG
Wirtschaftsprüfungsgesellschaft, Leipzig, Germany

Legal counsels

Hogan Lovells, Munich, Germany

Tax advisers

Deloitte, Munich, Germany

Financial calendar 2025

Publication of quarterly release Q1 2025	May 2025 Martinsried/Munich, Germany
Annual shareholders' meeting	June 27, 2025 Meiningen, Germany
Publication of six-month report 2025	August 7, 2025 Martinsried/Munich, Germany
Publication of quarterly release Q3 2025	November 6, 2025 Martinsried/Munich, Germany