Market for the Registrant's Common Stock and Related Stockholder Matters

The Company's Common Stock has been traded on the NASDAQ National Market (NASDAQ) under the symbol "ADTN" since the Company's initial public offering of Common Stock in August 1994. Prior to the initial public offering, there was no established trading market for the Company's Common Stock. As of January 31, 2000, the Company had 470 shareholders of record and approximately 9,800 beneficial owners of shares held in street name. The following table shows the high and low sale prices per share for the Common Stock as reported by NASDAQ for the periods indicated:

1999 QUARTERS	HIGH	LOW
First	$25-1/2	$15-3/4
Second	$36-7/8	$16
Third	$42-11/16	$33-3/8
Fourth	$55-1/2	$33-3/8

1998 QUARTERS	HIGH	LOW
First	$34-3/4	$24
Second	$29-3/4	$19-5/8
Third	$29-1/8	$20-3/8
Fourth	$28-7/8	$15-5/8

The Company has operated with a policy of retaining earnings, presently intends to retain all future earnings for use in the development of its business, and does not anticipate paying any cash dividends in the foreseeable future.

The following selected financial data concerning the Company for and as of the end of each of the years in the five-year period ended December 31, 1999, are derived from the financial statements of the Company, which have been audited by PricewaterhouseCoopers LLP, independent accountants. The selected financial data are qualified in their entirety by the more detailed information and financial statements, including the notes thereto. The financial statements of the Company as of December 31, 1999 and 1998, and for each of the years in the three-year period ended December 31, 1999, and the report of PricewaterhouseCoopers LLP thereon, are included elsewhere in this report.

Selected Financial Data

Year Ended December 31,	1999	1998	1997	1996	1995
(in thousands, except per share data)					
INCOME STATEMENT DATA:					
Sales					
CN (Carrier Networks Division)	$230,967	$167,500	$171,838	$171,902	$121,311
EN (Enterprise Networks Division)	136,240	119,059	93,497	78,219	60,167
Total sales	**367,207**	**286,559**	**265,335**	**250,121**	**181,478**
Cost of sales	178,629	130,010	130,254	129,953	93,007
Gross profit	**188,578**	**156,549**	**135,081**	**120,168**	**88,471**
Selling, general and administrative expenses	71,735	62,061	44,973	34,308	27,260
Research and development expenses	42,018	37,222	30,055	24,648	19,131
Operating income	**74,825**	**57,266**	**60,053**	**61,212**	**42,080**
Interest income	5,350	5,824	4,175	2,543	3,205
Interest expense	(2,312)	(2,287)	(1,839)	(895)	(1,105)
Other income (expense)	(673)	(188)	438	642	111
Income before income taxes	**77,190**	**60,615**	**62,827**	**63,502**	**44,291**
Provision for income taxes	26,244	20,306	22,618	23,682	14,833
Net income	**50,946**	**40,309**	**40,209**	**39,820**	**29,458**
Earnings per common share assuming dilution (1)	1.31	1.03	1.02	1.01	.75
Earnings per common share-basic	1.33	1.03	1.03	1.03	.80
Weighted average shares outstanding assuming dilution (1)	38,831	39,164	39,565	39,549	39,249

At December 31,	1999	1998	1997	1996	1995
(in thousands, except per share data)					
BALANCE SHEET DATA:					
Working capital	$181,147	$150,535	$149,184	$140,510	$122,466
Total assets	556,296	301,711	282,401	210,207	165,767
Total debt	50,000	50,000	50,000	20,000	20,000
Stockholders' equity	400,052	231,389	212,037	172,879	130,743

(1) Assumes exercise of dilutive stock options calculated under the treasury stock method. See Notes 1, 9 and 13 of Notes to Financial Statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

The Company designs, develops, manufactures, markets and services a broad range of high-speed digital transmission products utilized by providers of telecommunications services (serviced by ADTRAN's Carrier Networks Division or CN), and corporate end-users (serviced by ADTRAN's Enterprise Networks Division or EN) to implement advanced digital data services over existing telephone networks. The Company currently sells its products to a large number of carriers, including all Regional Bell Operating Companies ("RBOCs"), and to private and public enterprises worldwide.

The Company has increased its sales in each year primarily by increasing the number of units sold to both new and existing customers. These annual sales increases reflect the Company's strategy of increasing unit volume and market share through the introduction of succeeding generations of products having lower selling prices and increased functionality as compared both to the prior generation of a product and to the products of competitors. An important part of the Company's strategy is to engineer the reduction of the product cost of each succeeding product generation and then to lower the product's price based on the cost savings achieved. As a part of this strategy, the Company seeks in most instances to be a low-cost, high-quality provider of products in its markets. The Company's success to-date is attributable in large measure to its ability to design its products initially with a view to their subsequent re-design, allowing both increased functionality and reduced manufacturing costs in each succeeding product generation. This strategy has enabled the Company to sell succeeding generations of products to existing customers, as well as to increase its market share by selling these enhanced products to new customers.

While the Company has experienced increased sales in each year, the Company's operating results have fluctuated on a quarterly basis in the past, and operating results may vary significantly in future periods due to a number of factors. The Company operates with very little order backlog. A substantial majority of its sales in each quarter results from orders booked in that quarter and firm purchase orders released in that quarter by customers under agreements containing non-binding purchase commitments. Furthermore, a majority of customers typically require prompt delivery of products. This results in a limited backlog of orders for these products and requires the Company to maintain sufficient inventory levels to satisfy anticipated customer demand. If near-term demand for the Company's products declines, or if potential sales in any quarter do not occur as anticipated, the Company's financial results may be adversely affected. Operating expenses are relatively fixed in the short term; therefore, a shortfall in quarterly revenues could impact the Company's financial results significantly in a given quarter. Further, maintaining sufficient inventory levels to assure prompt delivery of the Company's products increases the amount of inventory which may become obsolete and increases the risk that the obsolescence of such inventory may have an adverse effect on the Company's business and operating results. The Company's operating results may also fluctuate as a result of a number of other factors, including increased competition, customer order patterns, changes in product mix, product warranty returns and announcements of new products by the Company or its competitors. Accordingly, the Company's historical financial performance is not necessarily a meaningful indicator of future results, and, in general, management expects that the Company's financial results may vary from period to period. See Note 14 of Notes to Financial Statements.

This 1999 Annual Report contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which represent the Company's expectations or beliefs, including, but not limited to, statements concerning (i) the business and financial outlook of the Company, (ii) the Company's business, financial condition or results of operations, and (iii) the Company's business strategy. When used in this 1999 Annual Report, the words "believe," "anticipate," "think," "intend," "will be," and similar expressions identify forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. Readers are also urged to carefully review and consider the various disclosures, including, but not limited to, the disclosures described under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations," "1999 Compared to 1998," and "Liquidity and Capital Resources," and those discussed in the Company's filings with the Securities and Exchange Commission, as well as the general economic conditions and industry trends which could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement of the Company.

Results of Operations

The following table presents selected financial information derived from the Company's statements of income expressed as a percentage of sales for the years indicated.

YEARS ENDED DECEMBER 31,

Percentage of sales	**1999**	1998	1997
Sales:			
CN	62.9%	58.5%	64.8%
EN	37.1	41.5	35.2
Total sales	**100.0**	**100.0**	**100.0**
Cost of sales	48.7	45.4	49.1
Gross profit	**51.3**	**54.6**	**50.9**
Selling, general and administrative expenses	19.5	21.7	17.0
Research and development expenses	11.4	13.0	11.3
Operating income	**20.4**	**19.9**	**22.6**
Interest income	1.5	2.0	1.6
Interest expense	(0.6)	(0.8)	(0.7)
Other income (expense)	(0.2)	0.1	0.2
Income before provision for income taxes	**21.0**	**21.2**	**23.7**
Provision for income taxes	7.1	7.1	8.5
Net income	**13.9%**	**14.1%**	**15.2%**

1999 Compared to 1998

SALES

The Company's sales increased 28.0% from $286,559,000 in 1998 to $367,207,000 in 1999. The increased sales resulted from increased sales volume to existing customers and from increased market penetration. Sales for the CN division increased 37.9% from $167,500,000 in 1998 to $230,967,000 in 1999. CN sales as a percentage of total sales increased from 58.5% in 1998 to 62.9% in 1999. Sales of EN products increased 14.4% from $119,059,000 in 1998 to $136,240,000 in 1999. As a percentage of total sales, EN sales decreased from 41.5% in 1998 to 37.1% in 1999. The primary factors leading to the increase in sales in 1999 were (i) additional market penetration for the Company's HDSL products, (ii) continuing growth in demand for T1 products, (iii) continuing growth in sales of the ATLAS integrated access device, and (iv) the introduction of the Total Access™ product line (primarily directed to the CLEC market).

COST OF SALES

Cost of sales increased from $130,010,000 in 1998 to $178,629,000 in 1999. As a percentage of sales, cost of sales increased only from 45.4% in 1998 to 48.7% in 1999. This increase was due primarily to a rise in material cost as a percentage of sales. CN cost of sales increased from $75,926,000 in 1998 to $122,157,000 in 1999. CN cost of sales as a percentage of CN sales increased from 45.3% in 1998 to 52.9% in 1999. This increase resulted from an increase in the importance of sales of HDSL products which, for a portion of 1999, were at a lower margin due to a delay in the transition from one generation of HDSL products to the succeeding generation. EN cost of sales increased from $54,084,000 in 1998 to $56,472,000 in 1999. As a percentage of EN sales, EN cost of sales decreased from 45.4% in 1998 to 41.6% in 1999. An important part of the Company's strategy is to reduce the product cost of each succeeding product generation and then to lower the product's price based on the cost savings achieved. This strategy sometimes results in variations in the Company's gross profit margin due to timing differences between the lowering of product selling prices and the realization of cost reductions. In view of the rapid pace of new product introductions by the Company, this strategy may result in variations in gross profit margins that, for any particular financial period, can be difficult to predict.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased 15.6% from $62,061,000 in 1998 to $71,735,000 in 1999. Beginning in the first quarter of 1997, the Company embarked on a program of expanding infrastructure in both sales and support personnel for its expanded customer base and for increased initiatives in the EN and international markets, as well as for the introduction and marketing of more technically enhanced products. This expansion program continued throughout 1997 and through the third quarter of 1998, at which point the Company determined that it had developed the sales and support capacity necessary to service its expanded revenue base. As a result, sales, general and administrative expense increased as a percentage of sales in 1998 compared to 1997 and decreased as a percentage of sales in 1999 compared to 1998. As a percentage of sales, selling, general and administrative expenses decreased from 21.7% in 1998 to 19.5% in 1999 because of operating efficiencies due to the larger sales base.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses increased 12.9% from $37,222,000 in 1998 to $42,018,000 in 1999. This increase was due to increased engineering costs associated with new product introductions and feature enhancement activities. As a percentage of sales, research and development expenses decreased from 13.0% in 1998 to 11.4% in 1999. The Company continually evaluates new product opportunities and engages in intensive research and product development efforts. To date, the Company has expensed all product research and development costs as incurred. Additionally, the Company frequently invests heavily in up-front market development efforts prior to the actual commencement of sales of a major new product. As a result, the Company may incur significant research and development expenses and selling, general and administrative expenses prior to the receipt of revenues from a major new product group. The Company is presently incurring both research and development expenses and selling, general and administrative expenses in connection with its new products and its expansion into international markets.

INTEREST EXPENSE

Interest expense increased 1.1% from $2,287,000 in 1998 to $2,312,000 in 1999. The Company currently pays interest on a $50,000,000 revenue bond, the proceeds of which were used to expand the Company's facilities in Huntsville, Alabama.

NET INCOME

As a result of the above factors, net income increased by 26.4% from $40,310,000 in 1998 to $50,946,000 in 1999. As a percentage of sales, net income decreased from 14.1% in 1998 to 13.9% in 1999.

1998 Compared to 1997

SALES

The Company's sales increased 8% from $265,335,000 in 1997 to $286,559,000 in 1998. The increased sales resulted from increased sales volume to existing customers and from increased market penetration. CN sales decreased from $171,838,000 in 1997 to $167,500,000 in 1998 primarily because of a decline in international revenue. CN sales as a percentage of total sales decreased from 64.8% in 1997 to 58.5% in 1998. Sales of EN products increased 27.3% from $93,497,000 in 1997 to $119,059,000 in 1998. As a percentage of total sales, EN sales increased from 35.2% in 1997 to 41.5% in 1998. The increase in sales of EN products is attributable to increased demand for T1 Service Unit (TSU) products and Digital Data Service (DDS) products.

COST OF SALES

Cost of sales decreased from $130,254,000 in 1997 to $130,010,000 in 1998. As a percentage of sales, cost of sales decreased from 49.1% in 1997 to 45.4% in 1998. This decrease was due primarily to reductions in component cost and product design enhancements. CN cost of sales decreased from $87,270,000 in 1997 to $75,926,000 in 1998. CN cost of sales as a percentage of CN sales decreased from 50.8% in 1997 to 45.3% in 1998. EN cost of sales increased from $42,984,000 in 1997 to $54,084,000 in 1998. As a percentage of EN sales, EN cost of sales decreased from 46.0% in 1997 to 45.4% in 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased 38.0% from $44,973,000 in 1997 to $62,061,000 in 1998. Beginning in the first quarter of 1997, the Company embarked on a program of expanding infrastructure in both sales and support personnel for its expanded customer base and for increased initiatives in the EN and international markets, as well as for the introduction and marketing of more technically enhanced products. This expansion program continued throughout 1997 and through the third quarter of 1998, at which point the Company determined that it had developed the sales and support capacity necessary to service its expanded revenue base. As a result, sales, general and administrative expense increased as a percentage of sales in 1998 compared to 1997 and decreased as a percentage of sales in 1999 compared to 1998. As a percentage of sales, selling, general and administrative expenses increased from 17.0% in 1997 to 21.7% in 1998.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses increased 23.8% from $30,055,000 in 1997 to $37,222,000 in 1998. This increase was due to increased engineering costs associated with new product introductions and feature enhancement activities. As a percentage of sales, research and development expenses increased from 11.3% in 1997 to 13.0% in 1998.

INTEREST EXPENSE

Interest expense increased 24.4% from $1,839,000 in 1997 to $2,287,000 in 1998. The Company currently pays interest on $50,000,000 of revenue bond proceeds of which $20,000,000 was loaned to the Company in January 1995, and $30,000,000 was loaned to the Company in April 1997. The proceeds were used to expand the Company's facilities in Huntsville, Alabama. The increase in interest expense in 1998 was due primarily to a full year's interest being incurred in 1998 on the additional $30,000,000 borrowed in April 1997 versus only a partial year in 1997.

NET INCOME

As a result of the above factors, net income increased from $40,209,000 in 1997 to $40,310,000 in 1998. As a percentage of sales, net income decreased from 15.2% in 1997 to 14.1% in 1998.

Liquidity and Capital Resources

The Company is committed to spend approximately an additional $15,000,000 completing the construction of Phase IV of its corporate headquarters in Huntsville, Alabama, with the expected completion date of June 30, 2000. Over the next several years, the Company expects to spend approximately an additional $25,000,000 to equip Phase IV. Fifty million dollars of the Company's Phase III expansion was approved for participation in an incentive program offered by the Alabama State Industrial Development Authority (the "Authority"). The incentive program enables participating companies to generate Alabama corporate income tax credits that can be used to reduce the amount of Alabama corporate income taxes that would otherwise be payable. There can be no assurance that the State of Alabama will continue to make these corporate income tax credits available in the future, and the Company therefore may not realize the full benefit of these incentives. Through December 31, 1999, the Authority had issued $50,000,000 of its taxable revenue bonds pursuant to the incentive program and loaned the proceeds from the sale of the bonds to the Company. The Company is required to make payments to the Authority in amounts necessary to pay the principal of and interest on the Authority's Taxable Revenue Bond, Series 1995, as amended, currently outstanding in the aggregate principal amount of $50,000,000. The bond matures on January 1, 2020, and bears interest at the rate of 45 basis points over the money market rate of First Union National Bank of Tennessee.

The Company's working capital position improved from $150,535,000 as of December 31, 1998 to $181,147,000 as of December 31, 1999. This improvement was due primarily to earnings and the receipt of cash generated from operations. The Company has used, and expects to continue to use, the cash generated from operations for working capital and other general corporate purposes, including (i) product development activities to enhance its existing products and develop new products and (ii) expansion of sales and marketing activities. Inventory decreased 10.8% from December 31, 1998 to December 31, 1999.

On March 31, 1997, the Board of Directors authorized the Company to re-purchase up to 1,000,000 shares of the Company's outstanding common stock. In October 1998, the Board approved the re-purchase of an additional 2,000,000 shares. As of December 31, 1999, the Company had re-purchased 1,120,136 shares of its common stock at a total cost of $23,537,000.

Capital expenditures totaling $36,237,000, $23,096,000, and $18,221,000 in 1999, 1998 and 1997, respectively, were used to expand the Company's headquarters and to purchase equipment.

At December 31, 1999, the Company's cash on hand of $37,501,000, short-term investments of $41,081,000 and $10,000,000 available under a bank line of credit placed the Company's potential cash availability at $88,581,000. The Company's $10,000,000 bank line of credit bears interest at the rate of 87.5 basis points over the 30-day London inter-bank offered rate and expires on March 29, 2000. The Company anticipates renewing the $10,000,000 bank line of credit upon its expiration. The Company intends to finance its operations in the future with cash flow from operations and amounts available under the bank line of credit. These available sources of funds are expected to be adequate to meet the Company's operating and capital needs for the foreseeable future.

Management's Responsibility for Financial Reporting

The accompanying financial statements and related notes of ADTRAN, Inc. were prepared by management, which has the primary responsibility for the integrity of the financial information therein. The statements were prepared in conformity with generally accepted accounting principles in the United States appropriate in the circumstances and include amounts which necessarily are based on management's judgment. Financial information presented elsewhere in this report is consistent with that in the financial statements.

Management maintains a comprehensive system of internal accounting controls and relies on the system to discharge its responsibility for the integrity of the financial statements. This system provides reasonable assurance that corporate assets are safeguarded, and that transactions are recorded in such a manner as to permit the preparation of reliable financial information. Reasonable assurance recognizes that the cost of a system of internal accounting controls should not exceed the related benefits. This system of internal accounting controls is augmented by written policies and procedures and the careful selection and training of qualified personnel. As of December 31, 1999, management was aware of no material weaknesses in the ADTRAN system of internal accounting controls.

The financial statements have been audited by the Company's independent certified public accountants, whose opinion is expressed on the following page. Their audit was conducted in accordance with generally accepted auditing standards in the United States, and as such, they obtained an understanding of the Company's systems of internal accounting controls and conducted such tests and related procedures as they deemed necessary to arrive at an opinion on the fairness of presentation of the financial statements.

Mark C. Smith
Chairman and CEO

John R. Cooper
Vice President and CFO

Report of Independent Accountants

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF ADTRAN, INC.

In our opinion, the accompanying balance sheet and the related statements of income, changes in stockholders' equity and cash flows present fairly, in all material respects, the financial position of ADTRAN, Inc. (the Company) at December 31, 1999 and 1998, and the results of its operations and cash flows for each of the three years in the period ending December 31, 1999, in conformity with generally accepted accounting principles in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Birmingham, Alabama
January 12, 2000

Balance Sheets

DECEMBER 31, 1999 AND 1998

	1999	1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,500,674	$ 10,009,320
Short-term investments	41,080,776	40,795,068
Accounts receivable, less allowance for doubtful accounts of $1,018,400 and $958,805 in 1999 and 1998, respectively	60,036,876	46,588,319
Other receivables	4,458,525	697,074
Inventory	58,568,773	65,700,576
Prepaid expenses	1,410,286	1,354,366
Deferred income taxes	4,069,937	2,416,685
Total current assets	**207,125,847**	**167,561,408**
Property, plant and equipment, net	104,587,755	78,894,317
Other assets	220,000	220,000
Long-term investments	244,362,579	55,035,000
Total assets	**$556,296,181**	**$301,710,725**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 12,773,848	$ 10,980,097
Accrued salaries	3,240,692	1,828,462
Accrued income taxes	6,096,459	1,060,795
Accrued taxes other than income taxes	728,077	252,548
Warranty liability	1,519,945	1,519,945
Compensated absences	1,619,534	1,384,802
Total current liabilities	**25,978,555**	**17,026,649**
Bonds payable	50,000,000	50,000,000
Deferred income taxes	80,265,155	3,295,140
Total liabilities	**156,243,710**	**70,321,789**
Stockholders' equity:		
Common stock, par value $.01 per share; 200,000,000 shares authorized; 39,466,644 shares issued in 1999 and 39,423,479 in 1998	394,466	394,235
Additional paid-in capital	90,832,913	90,640,451
Accumulated other comprehensive income	116,000,000	0
Retained earnings	214,834,541	163,570,297
	422,061,920	**254,604,983**
Less treasury stock at cost: 1,047,225 and 1,100,081 shares in 1999 and 1998, respectively	(22,009,449)	(23,216,047)
Total stockholders' equity	**400,052,471**	**231,388,936**
Total liabilities and stockholders' equity	**$556,296,181**	**$301,710,725**

The accompanying notes are an integral part of these financial statements.

Statements of Income

FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
Sales	$367,207,437	$286,558,950	$265,334,768
Cost of sales	178,629,643	130,009,879	130,253,531
Gross profit	**188,577,794**	**156,549,071**	**135,081,237**
Selling, general and administrative expenses	71,734,959	62,060,907	44,973,175
Research and development expenses	42,017,779	37,221,780	30,055,091
Income from operations	**74,825,056**	**57,266,384**	**60,052,971**
Other income (expenses):			
Interest income	5,349,762	5,824,223	4,175,032
Interest expense	(2,311,667)	(2,286,821)	(1,838,814)
Other	(672,920)	(188,530)	437,639
	2,365,175	**3,348,872**	**2,773,857**
Income before income taxes	77,190,231	60,615,256	62,826,828
Provision for income taxes	26,244,679	20,305,606	22,617,556
Net income	**$50,945,554**	**$40,309,650**	**$40,209,272**
Weighted average shares outstanding assuming dilution (1)	38,831,091	39,163,763	39,565,497
Earnings per common share – assuming dilution (1)	$1.31	$1.03	$1.02
Earnings per common share – basic	$1.33	$1.03	$1.03

The accompanying notes are an integral part of these financial statements.
(1) Assumes exercise of dilutive stock options calculated under the treasury stock method.

Statements of Changes in Stockholders' Equity

FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

COMMON STOCK

	Number of shares	Common Stock Par Value ($.01 Per Share)	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Unrealized Gain on Marketable Equity Securities	Total Stockholders' Equity
Balance, December 31, 1996	**38,769,514**	**$387,695**	**$90,172,863**	**$82,318,341**	**$0**	**$0**	**$172,878,899**
Net Income				40,209,272			40,209,272
Stock options exercised							
Various prices per share	611,750	6,118	409,752				415,870
Purchase of treasury stock:							
100,000 shares					(2,200,000)		(2,200,000)
Income tax benefit from exercise							
of non-qualified stock options				733,034			733,034
Balance, December 31, 1997	**39,381,264**	**$393,813**	**$90,582,615**	**$123,260,647**	**($2,200,000)**		**$212,037,075**
Net Income				40,309,650			40,309,650
Stock options exercised							
Various prices per share	42,215	422	57,836				58,258
Purchase of treasury stock:							
1,000,081 shares					(21,016,047)		(21,016,047)
Balance, December 31, 1998	**39,423,479**	**$394,235**	**$90,640,451**	**$163,570,297**	**($23,216,047)**		**$231,388,936**
Net Income				50,945,554			50,945,554
Unrealized gain on marketable securities							
(net of deferred tax of 76,000,000)						116,000,000	116,000,000
Stock options exercised							
Various prices per share	23,165	231	192,462		1,532,589		1,725,282
Purchase of treasury stock:							
20,055 shares					(325,991)		(325,991)
Income tax benefit from exercise of							
non-qualified stock options				318,690			318,690
Balance, December 31, 1999	**39,446,614**	**$394,466**	**$90,832,913**	**$214,834,541**	**($22,009,449)**	**$116,000,000**	**$400,052,471**

During 1999, the Company issued 72,911 shares of Treasury Stock to accommodate employee stock option exercise.

Comprehensive income in 1999 of $166,945,554 consists of $116,000,000 unrealized gain on marketable securities (net of deferred tax) and net income of $50,945,554.

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
Cash flows from operating activities:			
Net income	$50,945,554	$40,309,650	$40,209,272
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	10,546,594	9,002,669	7,342,518
Provision for warranty claims		1,506,432	1,435,259
(Gain) loss on sale of property, plant, and equipment	(5,050)		(9,884)
(Gain) loss on sale of short-term investments classified as available-for-sale	417,749	24,367	(6,063)
Deferred income taxes	(683,237)	1,188,956	(313,867)
Change in operating assets:			
Accounts receivable	(13,448,557)	(5,681,432)	(7,081,327)
Inventory	7,131,803	(26,331,473)	1,423,543
Other assets	(3,820,781)	(579,689)	932,165
Change in operating liabilities:			
Accounts payable	1,793,751	1,858,827	(228,996)
Other liabilities	7,158,155	(4,555,110)	1,284,106
Net cash provided by operating activities	**60,035,981**	**16,743,197**	**44,986,726**
Cash flows from investing activities:			
Expenditures for property, plant and equipment	(36,236,622)	(23,095,854)	(18,220,850)
Proceeds from the disposition of property, plant, and equipment	5,050		58,297
Sale (purchase) of long-term investments	2,672,421	(5,035,000)	(50,000,000)
Purchase of short-term investments classified as available-for-sale	(703,457)	(2,986,195)	(5,271,247)
Net cash used in investing activities	**(34,262,608)**	**(31,117,049)**	**(73,433,800)**
Cash flows from financing activities:			
Redemption of bonds payable			(20,000,000)
Proceeds from bond issuance			50,000,000
Proceeds from issuance of common stock	1,725,282	58,258	415,870
Income tax benefit from exercise of non-qualified stock options	318,690		733,034
Purchase of treasury stock	(325,991)	(21,016,047)	(2,200,000)
Net cash provided by financing activities	**1,717,981**	**(20,957,789)**	**28,948,904**
Net (decrease) increase in cash and cash equivalents	27,491,354	(35,331,641)	501,830
Cash and cash equivalents, beginning of year	**10,009,320**	**45,340,961**	**44,839,131**
Cash and cash equivalents, end of year	**$37,500,674**	**$10,009,320**	**$45,340,961**
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest, net of capitalized interest of $0, $35,172, and $204,153 in 1999, 1998 and 1997, respectively	$2,311,667	$2,276,495	$1,844,741
Cash paid during the year for income taxes	$22,094,478	$23,964,517	$20,042,644

Non-Cash Transactions:

During 1999, the Company recorded $192,000,000 of unrealized gains related to its marketable equity securities. The unrealized gain was recorded as a non-cash change of long-term investment, deferred income taxes, and stockholders' equity.

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ADTRAN, Inc. (the "Company") designs, develops, manufactures, markets, and services a broad range of high-speed digital transmission products utilized by providers of telecommunications services (serviced by ADTRAN's Carrier Networks Division or CN) and corporate end users (serviced by ADTRAN's Enterprise Networks Division or EN) to implement advanced digital data services over existing telephone networks. The Company also customizes many of its products for private label distribution and for original equipment manufacturers to incorporate into their own products. Most of the Company's CN and EN products are connected to the local loop, which is the large existing infrastructure of the telephone network, predominantly consisting of copper wireline, which connects end users to a Central Office, the facility that provides local switching and distribution functions. The balance of the Company's products are used in the Central Office.

CASH AND CASH EQUIVALENTS:

Cash and cash equivalents represent demand deposits, money market accounts, and short-term investments classified as held-to-maturity (see Note 2) with original maturities of three months or less.

FINANCIAL INSTRUMENTS:

The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the immediate or short-term maturity of these financial instruments. The carrying amount reported for the bonds payable approximates fair value because the underlying instruments are at variable rates that re-price frequently.

Investments represent re-marketed preferred stocks, municipal bonds, and marketable equity securities. Re-marketed preferred stocks are designed to be marketed as money market instruments. These instruments' dividend rates reset on a short-term basis to maintain the price of the instruments at par. These instruments may be redeemed on the date the interest rate resets. The fair value of short-term investments is estimated based on quoted market prices (see Note 2). Realized gains or losses are computed under the specific identification method.

Long-term investments represent restricted money market funds (see Note 6), marketable equity securities, and other equity investments. The fair value of the restricted money market funds approximate fair value due to a variable interest rate. The marketable equity securities are reported at market value as determined by the most recently traded price of the securities at the balance sheet date, although the securities may not be readily marketable due to the size of the available market. Unrealized gains and losses, net of tax, are reported as a separate component of stockholders' equity. Realized gains and losses are computed under the specific identification method and are included in current income.

INVENTORY:

Inventory is carried at the lower of cost or market, with cost being determined using the first-in, first-out method.

PROPERTY, PLANT, AND EQUIPMENT:

Property, plant, and equipment, which is stated at cost, is depreciated using methods which approximate straight-line depreciation over the estimated useful lives of the assets. The Company depreciates its building and land improvements from five to 39 years, office machinery and equipment from three to seven years, and its engineering machinery and equipment from three to seven years. Expenditures for repairs and maintenance are charged to expense as incurred; betterments which materially prolong the lives of the assets are capitalized. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts and the gain or loss on such disposition is included in income.

LONG-LIVED ASSETS:

The Company recognizes impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying values. There were no such losses recognized during 1999, 1998, and 1997.

RESEARCH AND DEVELOPMENT COSTS:

Research and development costs are expensed as incurred.

COMPREHENSIVE INCOME:

Comprehensive income consists of net income and unrealized gains and losses on marketable securities, net of deferred taxes, and is presented in the Statements of Changes in Stockholders' Equity. The adoption of Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income in 1998 had no impact on total stockholders' equity.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

INCOME TAXES:

The Company utilizes the asset and liability method of accounting for income taxes which requires the establishment of deferred tax liabilities and assets, as measured by enacted tax rates, for all temporary differences caused when the tax basis of assets and liabilities differ from those reported in the financial statements.

EARNINGS PER SHARE:

Earnings per common share, and earnings per common share assuming dilution, are based on the weighted average number of common and, when dilutive, common equivalent shares outstanding during the year (see Note 13).

RECENTLY ISSUED ACCOUNTING STANDARDS:

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 requires all derivatives to be measured at fair value and recognized as either assets or liabilities on the balance sheet. Changes in such fair value are required to be recognized immediately in net income (loss) to the extent the derivatives are not effected as hedges. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000 and is effective for interim periods in the initial year of adoption. The Company does not currently hold any derivative financial instruments.

2 INVESTMENTS

At December 31, 1999 and 1998, the Company held the following securities as available-for-sale or held-to-maturity recorded at amortized cost which approximates fair value, except certain long-term investments in market equity securities which are recorded at fair market value.

1999

Short-term investments, available-for-sale:	
Municipal bonds:	$35,342,510
Other:	
Commercial paper, U.S. Government securities and preferred stock	5,738,266
Total short-term investments 1999	**$41,080,776**

Long-term investments:	
Restricted money market funds (see Note 6)	$50,000,000
Investment in marketable equity securities	117,828,577
Other equity investments	534,002
Total long-term investments 1999	**$168,362,579**

Gross unrealized gains on investment in marketable equity securities were $192,000,000 in 1999.

1998

Short-term investments, available-for-sale:	
Municipal bonds:	$34,553,013
Re-marketed preferred stocks:	
GE Capital preferred asset corporation A series A	5,000,000
Other:	
Commercial paper, U.S. Government securities and preferred stock	1,242,055
Total short-term investments 1998	**$40,795,068**

Long-term investments:	
Restricted money market funds (see Note 6)	$50,000,000
Other equity investments	5,035,000
Total long-term investments 1998	**$55,035,000**

3 INVENTORY

At December 31, 1999 and 1998 inventory consisted of the following:

	1999	1998
Raw materials	$30,143,435	$39,787,631
Work in process	15,763,155	7,935,771
Finished goods	12,662,183	17,977,174
	$58,568,773	**$65,700,576**

4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment was comprised of the following at December 31, 1999 and 1998:

	1999	1998
Land	$ 4,263,104	$ 4,263,104
Building	26,389,365	28,684,088
Construction in progress	44,248,566	12,119,342
Land improvements	9,499,352	9,499,352
Office machinery and equipment	24,590,473	22,683,087
Engineering machinery and equipment	36,013,355	31,548,285
	145,004,215	**108,797,258**
Less accumulated depreciation	(40,416,460)	(29,902,941)
	$104,587,755	**$78,894,317**

5 LINE OF CREDIT

The Company has a $10,000,000 line of credit at a bank, which bears interest at the rate of 87.5 basis points over the 30-day London inter-bank offered rate. At December 31, 1999 and 1998, the Company had no borrowings outstanding under this line. The line of credit expires on March 29, 2000.

6 ALABAMA STATE INDUSTRIAL DEVELOPMENT AUTHORITY FINANCING

In conjunction with an expansion of its Huntsville, Alabama facility, the Company was approved for participation in an incentive program offered by the State of Alabama Industrial Development Authority (the "Authority"). Pursuant to the program, on January 13, 1995, the Authority issued $20,000,000 of its taxable revenue bonds and loaned the proceeds from the sale of the bonds to the Company. The bonds were originally purchased by AmSouth Bank of Alabama, Birmingham, Alabama (the "Bank"). First Union National Bank of Tennessee, Nashville, Tennessee (the "Bondholder") purchased the original bonds from the Bank and made further advances to the Authority bringing the total amount outstanding to $50,000,000. An Amended and Restated Taxable Revenue Bond ("Amended and Restated Bond") was issued and the original financing agreement was amended. The Amended and Restated Bond bears interest, payable monthly, at the rate of 45 basis points over the money market rate of the Bondholder and matures on January 1, 2020. The Company is required to make payments to the Authority in amounts necessary to pay the principal of and interest on the Amended and Restated Bond. Included in long-term investments is $50,000,000, which is restricted for payment of principal of this bond.

7 INCOME TAXES

A summary of the components of the provision (benefit) for income taxes as of December 31 is as follows:

	1999	1998	1997
Current:			
Federal	$24,764,293	$17,551,986	$21,251,520
State	2,163,623	1,564,664	1,679,903
Total current	**26,927,916**	**19,116,650**	**22,931,423**
Deferred tax provision (benefit)	(683,237)	1,188,956	(313,867)
Total provision for income taxes	**$26,244,679**	**$20,305,606**	**$22,617,556**

The provision for income taxes differs from the amounts computed by applying the federal statutory rate due to the following:

	1999	1998	1997
Tax provision computed at the federal statutory rate (35% in 1999, 1998 and 1997)	$27,016,582	$21,215,340	$21,989,390
State income tax provision, net of federal benefit	1,406,355	1,017,032	1,091,936
Federal research credits	(1,880,205)	(1,650,877)	(1,248,925)
Other	(298,053)	(275,889)	785,155
	$26,244,679	**$20,305,606**	**$22,617,556**

Temporary differences which create deferred tax assets and liabilities at December 31, 1999 and 1998 are as follows:

	1999		1998	
	Current	Non-current	Current	Non-current
Property, plant and equipment		($4,265,155)		($3,295,140)
Investments		(76,000,000)		
Accounts receivable	$400,740		$422,758	
Inventory	2,433,811		844,519	
Accruals	1,235,385		1,149,408	
Deferred tax asset (liability)	**$4,069,936**	**($80,265,155)**	**$2,416,685**	**($3,295,140)**

No valuation allowance is deemed necessary by management, as the realization of recorded deferred tax assets is considered more likely than not.

8 OPERATING LEASES

The Company leases office space and equipment under operating leases. As of December 31, 1999, future minimum rental payments under the non-cancellable operating leases are approximately as follows:

2000	551,000
2001	368,000
2002	216,000
2003	108,000
	$1,243,000

Rental expense was approximately $988,000, $908,000, and $657,000 in 1999, 1998 and 1997, respectively.

9 EMPLOYEE INCENTIVE STOCK OPTION PLAN AND DIRECTOR'S STOCK OPTION PLAN

The Board of Directors of the Company adopted the 1996 Employees Incentive Stock Option Plan (the "1996 Plan") effective February 14, 1996, as amended, under which 2,488,100 shares of common stock were reserved for issuance to certain employees and officers through incentive stock options and non-qualified stock options. In addition, non-qualified options for 612,000 shares were granted in 1999 and become effective upon the approval of additional option shares by the Company's stockholders. Because approval is anticipated, these options have been included in the tables below and in the calculation of earnings per share. The Company currently has options outstanding under its 1986 Employee Incentive Stock Option Plan (the "1986 Plan"), which plan expired on Feb 14, 1996. Options granted under the 1996 Plan or the 1986 Plan generally become exercisable after one year of continued employment, normally pursuant to a five-year vesting schedule beginning on the first anniversary of the grant date. Expiration dates of options outstanding under the 1996 Plan and the 1986 Plan at December 31, 1999, range from 2000 to 2009.

The Board of Directors of the Company adopted a Director's Stock Option Plan ("Director's Plan") effective October 31, 1995, as amended, under which 200,000 shares of common stock have been reserved. The Director's Plan is a formula plan to provide options to non-employee directors of the Company. At December 31, 1999, 72,000 options had been granted under the Director's Plan. Expiration dates of options outstanding under the Director's Plan at December 31, 1999 range from 2005 to 2009.

Pertinent information regarding the stock plans is as follows:

	Number of Options	Range of Exercise Prices	Weighted Average Exercise Price	Vesting Provisions
Options outstanding, December 31, 1996	**1,204,056**	**$.11 - $65.75**	**$20.38**	**Various**
Options granted	697,750	$22.00 - $42.38	$25.62	Various
Options granted	3,000	$42.72 - $42.72	$42.72	Various
Options granted	21,700	$25.37 - $45.78	$32.26	Various
Options cancelled	(38,300)	$22.00 - $65.75	$50.89	Various
Options exercised	(611,750)	$.11 - $31.75	$.68	Various
Options outstanding, December 31, 1997	**1,276,456**	**$.17 - $65.75**	**$32.24**	**Various**
Options granted	1,018,225	$18.31 - $26.25	$21.46	Various
Options granted	10,250	$30.50 - $31.00	$30.69	Various
Options cancelled	(45,370)	$21.31 - $65.75	$35.61	Various
Options exercised	(42,215)	$.17 - $3.33	$1.38	Various
Options outstanding, December 31, 1998	**2,217,346**	**$.50 - $65.75**	**$27.78**	**Various**
Options granted	504,000	$18.13 - $39.69	$35.75	Various
Options granted	642,000	$18.88 - $65.75	$36.05	Various
Options cancelled	(166,875)	$21.28 - $65.75	$32.52	Various
Options exercised	(96,076)	$.50 - $31.75	$17.96	Various
Options outstanding, December 31, 1999	**3,100,395**	**$1.50 - $65.75**	**$30.875**	**Various**

The following table summarizes information about stock options outstanding at December 31, 1999:

Range of Exercise Prices	Number Outstanding 12/31/99	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable 12/31/99	Weighted Average Exercise Price
$1.50 - $3.33	110,150	3.47	$2.28	110,150	$2.28
$12.53 - $21.31	896,135	8.72	$21.13	168,760	$20.75
$21.81 - $27.50	652,400	7.56	$25.26	240,913	$25.33
$30.38 - $46.25	1,161,310	9.07	$36.09	76,180	$36.19
$56.25 - $65.75	281,500	6.59	$63.49	160,200	$63.70
	3,100,395			**756,203**	

The options above were issued at exercise prices which approximate fair market value at the date of grant. At December 31, 1999, 290,420 options were available for grant under the plans. The Company applies APB Opinion 25 and related interpretations in accounting for its stock plans. Accordingly, no compensation cost has been recognized related to stock options. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method prescribed in SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	1999	1998	1997
Net income – as reported	$50,945,554	$40,309,650	$40,209,272
Net income – pro forma	44,190,609	35,417,764	37,634,225
Earnings per share – as reported assuming dilution	$1.31	$1.03	$1.02
Earnings per share – pro forma assuming dilution	$1.14	$.90	$.96

The pro forma amounts reflected above are not representative of the effects on reported net income in future years because, in general, the options granted typically do not vest for several years and additional awards are made each year. The fair value of each option grant is estimated on the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	1999	1998	1997
Dividend yield	0%	0%	0%
Expected life (years)	6	5	5
Expected volatility	59.4%	59.1%	49.1%
Risk-free interest rate	5.69%	4.67%	6.06%

10 EMPLOYEE BENEFIT PLAN

In March 1990, the Company adopted an incentive savings plan (the "Savings Plan") for all of its employees. The Savings Plan provides certain employment benefits to all eligible employees and qualifies as a deferred arrangement under Section 401(k) of the Internal Revenue Code of 1986, as amended. The Company matches one-half of a participant's contribution, limited to 5% of a participant's income. An employee's interest in the Company's contributions becomes 100% vested at the date participation in the Savings Plan commenced. Charges to operations for the plan amounted to approximately $1,288,000, $928,000, and $717,000 in 1999, 1998 and 1997, respectively.

11 SEGMENT INFORMATION AND MAJOR CUSTOMERS

The Company operates two reportable segments – (i) Carrier Networks (CN) and (ii) Enterprise Networks (EN). The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies" (see Note 1) to the extent that such policies affect the reported segment information. The Company evaluates the performance of its segments based on gross profit; therefore, selling, general and administrative costs, as well as research and development, interest income/expense, and provision for taxes, is reported on an entity-wide basis only. There are no intersegment revenues.

The table below presents information about the reported sales and gross profit of the Company for the years ended December 31. Asset information by reportable segment is not reported, since the Company does not produce such information internally.

	1999		1998		1997	
	Sales	Gross Profit	Sales	Gross Profit	Sales	Gross Profit
(in thousands)						
CN	$230,967	$ 108,809	$167,500	$ 91,574	$171,838	$ 84,568
EN	136,240	79,768	119,059	64,975	93,497	50,513
Total	**$367,207**	**$188,577**	**$286,559**	**$156,549**	**$265,335**	**$135,081**

The following is sales information by geographic area for the years ended December 31:

Sales (in thousands)

	1999	1998	1997
United States	$357,699	$277,062	$242,230
Foreign	9,508	9,497	23,105
	$367,207	**$286,559**	**$265,335**

Sales of the Company's transmission and test equipment to the Regional Bell Operating Companies (RBOCs) and GTE, also known as Incumbent Local Exchange Carriers (ILECs), amounted to approximately 55%, 49%, and 52% of total sales during the years ended December 31, 1999, 1998 and 1997, respectively. The Company's EN division sells a significant portion of its products to value added resellers through a multi-tier distribution system. Sales of this type amounting to 27%, 25%, and 16% of the Company's revenue for each of the years ended December 31, 1999, 1998, and 1997, respectively were routed through four primary fulfillment distributors.

12 CONTINGENCIES

The Company has certain contingent liabilities resulting from litigation arising in the normal course of business. Although the outcome of any litigation can never be certain, it is the Company's opinion that the outcome of such contingencies will not materially affect its business, operations, financial condition or cash flows.

13 EARNINGS PER SHARE

A summary of the calculation of basic and diluted earnings per share for the years ended December 31, 1999, 1998 and 1997 is as follows:

	For the Year Ended 1999		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$50,945,554	38,334,507	$1.33
Effect of dilutive securities			
Stock options	0	496,584	
Diluted EPS			
Income available to common stockholders (with dilution) for assumed options exercised	$50,945,554	38,831,091	$1.31

	For the Year Ended 1998		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$40,309,650	38,981,558	$1.03
Effect of dilutive securities			
Stock options	0	182,205	
Diluted EPS			
Income available to common stockholders + assumed conversions	$40,309,650	39,163,763	$1.03

	For the Year Ended 1997		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$40,209,272	39,201,871	$1.03
Effect of dilutive securities			
Stock options	0	363,626	
Diluted EPS			
Income available to common stockholders + assumed conversions	$40,209,272	39,565,497	$1.02

The following options were outstanding during the respective year shown below, but were not included in the computation of that year's diluted EPS because the options' exercise price was greater than the average market price of the common shares shown below.

	1999			1998			1997	
Options Granted	Exercise Price	Expiration	Options Granted	Exercise Price	Expiration	Options Granted	Exercise Price	Expiration
46,000	$31.75-$46.25	2005	58,450	$31.75-$46.25	2005	3,500	$46.25	2005
276,000	$39.75-$65.75	2006	307,400	$30.50-$65.75	2006	294,400	$56.25-$65.75	2006
23,100	$37.88-$42.72	2007	31,900	$27.50-$42.72	2007	17,700	$37.63-42.38	2007
1,083,710	$36.06-$51.44	2009	28,500	$26.25-$30.38	2008			

14 SUMMARIZED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents unaudited quarterly operating results for each of the Company's last eight fiscal quarters. This information has been prepared by the Company on a basis consistent with the Company's audited financial statements and includes all adjustments, consisting only of normal recurring adjustments, that the Company considers necessary for a fair presentation of the data.

	Three Months Ended			
(In thousands, except for per share amounts)	March 31	June 30	September 30	December 31
	1999	**1999**	**1999**	**1999**
Net sales	$77,163	$88,507	$97,067	$104,470
Gross profit	39,494	43,356	50,463	55,265
Income from operations	13,226	15,530	21,223	24,846
Net income	9,111	10,716	14,150	16,969
Earnings per common share assuming dilution	$.24	$.28	$.36	$.43
Earnings per common share	$.24	$.28	$.37	$.44

	Three Months Ended			
(In thousands, except for per share amounts)	March 31	June 30	September 30	December 31
	1998	1998	1998	1998
Net sales	$65,327	$71,155	$77,044	$73,033
Gross profit	35,919	38,950	42,310	39,370
Income from operations	14,283	14,441	16,377	12,165
Net income	9,893	10,145	11,441	8,831
Earnings per common share assuming dilution	$.25	$.26	$.29	$.23
Earnings per common share	$.25	$.26	$.29	$.23

Directors & Executive Officers

Mark C. Smith
Chairman of the Board and Chief Executive Officer of the Company

Lonnie S. McMillian
Senior Vice President – Engineering, Secretary and Director of the Company

Howard A. Thrailkill
President, Chief Operating Officer and Director of the Company

W. Frank Blount
Director of the Company, Retired Chief Executive Officer to Telstra Corporation, LTD, Australia's principal telecommunications company

William L. Marks
Director of the Company, Chairman of the Board and Chief Executive Officer of Whitney Holding Corp., the holding company for Whitney National Bank of New Orleans

Roy J. Nichols
Director of the Company, Vice Chairman of the Board and Chief Technical Officer of Nichols Research Corporation, a defense and information systems company, Huntsville, Alabama

James L. North
Director of the Company, Counsel to the Company since it commenced operations in 1986, attorney with James L. North & Associates, Birmingham, Alabama

John R. Cooper
Vice President – Finance, Chief Financial Officer, and Treasurer

Danny J. Windham
Vice President and General Manager – Enterprise Networks

Thomas R. Stanton
Vice President and General Manager – Carrier Networks

M. Melvin Bruce
Vice President – Carrier Networks Engineering

James D. Butler
Vice President – Enterprise Networks Sales

Robert A. Fredrickson
Vice President – Carrier Networks Sales

Steven L. Harvey
Vice President – Competitive Service Providers Sales

Charles A. O'Donnell
Vice President – Quality

Jude T. Panetta
Vice President – Operations

Everette R. Ramage
Vice President – Enterprise Networks Engineering

Kevin W. Schneider
Vice President – Technology

TRANSFER AGENT

First Union National Bank
Charlotte, North Carolina

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Birmingham, Alabama

GENERAL COUNSEL

James L. North, Attorney at Law
Birmingham, Alabama

SPECIAL COUNSEL

Long Aldridge & Norman LLP
Atlanta, Georgia

FORM 10-K

The Company's 1999 Annual Report on Form 10-K (without exhibits) as filed with the Securities and Exchange Commission is available to stockholders without charge upon written request to:

Investor Relations
ADTRAN, Inc.
901 Explorer Blvd.
P.O. Box 140000
Huntsville, Alabama 35814-4000
256 963-8611 or
256 963-8220

ANNUAL MEETING

The 2000 Annual Meeting of Shareholders will be held at the Company headquarters, 901 Explorer Boulevard, Huntsville, Alabama, on Friday, April 21, 2000 at 10:30 a.m. Central time.

nsai
I.S. EN ISO 9001

ADTRAN is an ISO 9001 registered company.

nsai
TL 9000

ADTRAN is a TL 9000 registered company.

ADTRAN, Inc. is committed to utilize Minority Business Enterprises (MBE), Woman-Owned Business Enterprises (WBE) and Disabled Veteran Business Enterprises (DVBE) whenever possible and practical for procurements supporting ADTRAN and our customers.

CORPORATE HEADQUARTERS

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DOMESTIC OFFICES

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