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<<John Michael, Analyst, Stifel, Nicolaus & Company>>

Good afternoon. I'm John Michael. I'm with the applied tech group here at Stifel. Today I have Jay Wilson with me from ADTRAN. He's the SVP of Technology and Strategy. He'll be going through a presentation, and if we have time left over we'll go through a quick Q&A session.

<<Roger D. Shannon, Senior Vice President of Finance, Chief Financial Officer>>

Good afternoon. My name is Roger Shannon. I'll also be joining Jay. I'm the Senior Vice President of Finance and the Chief Financial Officer. Of course, before getting into our presentation I would like to remind everyone of the Safe Harbor statement. During the course of the meeting, ADTRAN expects to make forward-looking statements which reflect management's best judgment based on factors currently known. However, these statements involve risks and uncertainties, including the successful development and market acceptance of core products, the degree of competition in the market for such products, the product and channel mix, component costs, manufacturing efficiencies, foreign exchange rate variations, and other risks detailed in our Annual Report on Form 10-K for the Year Ended December 31, 2015.

These risks and uncertainties could cause actual results to differ materially from those in the forward-looking statements which may be made during this meeting. I'd like to start off with giving an overview of the ADTRAN company. For the past three decades ADTRAN has been enabling a fully connected world. Basically ADTRAN is a broadband company. We provide products and services that enable high-speed data, video and voice to thousands of customers in more than 65 countries. Revenue in 2015 was $600 million. In the U.S., we sell to every major telecom carrier and many hundreds of smaller players.

Our international focus is in Europe, Middle East, Latin America and Australia. We have a strong array of products providing services over fiber, copper and wireless, as well as professional services to support the customers' networks. We have over 2,000 employees, with R&D centers in the U.S., Germany and India. Major production sites are in the U.S., Mexico, Vietnam, China and the Ukraine. We continue to develop and deploy new technologies to support the growing needs of broadband globally. And you could see some of these points that we'd like to talk about over the course of this presentation at a glance.

I'd particularly draw your attention to the gigabit communities where we had originally set out a target in 2014 to have enabled 50 gigabit communities, going to 200 by the end of 2015. We met that goal in 2014 of 50 communities, and we exceeded 2015's goal by reaching 250 gigabit communities. We'll talk a little bit more about that later in the presentation. We also want to discuss our leadership position in SDN and NFV, where ADTRAN is playing a leading role in defining the future network. ADTRAN has an impressive R&D function. We spend 21% of our revenue on R&D, and we have 60% more patents per dollar than industry average.

We'll talk later on in our financial results about our performance and our very strong balance sheet, where we have more than $315 million of cash and investments. And Jay's going to get into our technology platform, including many of the firsts that we have across the Company and our leadership position.

Next I'd like to show a short video about the customers that we currently serve.

[Video Presentation]

Thank you. We think that tells the story much better than I could up here. We have many such stories where ADTRAN is connecting people to people and helping to develop a more connected world. As you can see on this chart, we have a very diverse customer base which we serve across Tier 1 and Tier 2 markets, domestically, internationally and across the enterprise and through distribution partners. ADTRAN certainly is at the forefront of broadband market leadership. We're in the top three global broadband service providers, number two in DSL aggregation, and number four in fixed broadband.

At this point I'd like to turn the presentation over to Jay Wilson, who's going to walk through the portfolio product strategy and some of our technologies.

<<Jay Wilson, Senior Vice President, Technology and Strategy>>

Thanks, Roger. Good afternoon. Jay Wilson. I thought what I would do is dig a little bit deeper into some of the portfolio strategy as well as some of the trends that are driving the industry and then hand it back to Roger to finish up and talk about some of the government subsidies and benefits that are going on around the world as well as our financial results. We're building our product portfolio strategy across four primary segments: fiber access and aggregation, what we call fiber to the node and distribution point units, customer devices made up between residential and business CPE, as well as our wireless and the WiFi and infrastructure products that drive the wireless access points.

And so in each of those areas we've got some key tenets that are driving our strategy. I'll touch on some of the firsts that we have and the innovations that we're doing across these areas, that these are some of the sub-bullets that are mentioned on the slide here are the why we win. And then what underpins the whole thing is we're adding now more and more value-added software solutions as well as turnkey services across all product segments. When we share the update about how we report our financial results now that was updated in Q1 of 2016 you can see some reflection in this, too.

So if you look back in the history of ADTRAN to kind of get us to where we are today there's been several eras of our company history. We're 30 years old this year, from 1986 to 2016. And really the divestiture of AT&T back in the mid-1980s is what the Company was founded on. We went through a progression of the Company being in the Internet boom, with DSL and ultimately business service deployments, transitioning to the IP era, where movement from TDM and ATM

to IP really began and started to transform the networks from being more voice-centric to data-centric in the telecom sector.

We're really still at the edge of this what we're calling this gigabit era where you're seeing different levels of broadband infrastructure investment, at the very high level, the gigabit phenomenon, particularly driven by the United States, but also we're starting to see that spread into other developed parts of the world. And then you also see a next tier below that where it's ultra-broadband services delivered in the hundreds of megabits range. And now there's a lot of subsidization going on from the governments in the industry, or around the world by driving lower speed or rural broadband solutions out.

And so this, we believe, will be completely complemented by the SDN era. And as a result of that as operators are trying to transform themselves to be competitive in shorter innovation cycles, shorter integration cycles, as well as being less disruptive to introduce new technologies into the network, then SDN enables a lot of that by also offering automation and programmability of these technologies. And so you see us moving through this, and we've reinvented ourselves many times over, and we see that happening now.

I want to touch on some of the innovation that we've done, and particularly in two areas, first in SDN access, or what we're referring to as SDN edge, as well, really a full set of solutions from the cloud edge, which has traditionally been the telecom central office or the switching center for the cable operators, to the subscriber edge, which would be an enterprise business location or a residential subscriber location. And then we've been the first to integrate and deploy a complete FTTx portfolio around an open-source SDN controller. There's no one else yet in the industry that's offered this. We've been the only one that's done a demonstration in a Tier 1 customer lab around CORD, which is referred to as an acronym for central office reimagined as a data center.

And so this architectural shift that you see from the traditional telecom or cable infrastructure space enables next generation access. And so some of the sub-bullets here, we've got the first and so far the only 10G PON using virtual OLT in a CORD demo at a Tier 1 lab, and also have just completed an interoperability program with a new IP agency where they hosted a number of different NFV infrastructure companies as well as virtual CPE companies where we were the only company to have our virtual CPE solution interoperate with all the different NFVi's. And so we've seen a lot of good progress in the area of SDN and NFV.

All of this is really enabled by modular software architecture, and this is something we've been doing now for four or five years in a full agile development process using DevOps model. And the reason that that's so important is because you need to be able to, as I mentioned earlier, minimize disruption when introducing their technologies but also shortening the innovation cycles. All this wouldn't be enabled if you couldn't scale the business without standardization. And so ADTRAN, while we won't have the most people in the standards bodies, we're going beyond participation and going to actually leadership in the standards communities. I mention a few of them here that we're involved in leadership roles.

As an example, in SDN access we were very insistent that the industry adopt an over-the-top management architecture for the G.fast technology. Rather than just using a traditional means of

managing G.fast, we felt it was very important to drive that to an open and over-the-top management scheme so that you could avoid system vendor lock-in from the incumbents and introduce technology without being closed in to the current vendor's roadmap and their own particular objectives.

Shifting to the broadband side, we've been very focused at looking at the entry opportunity for 10-gigabit access in the 10-gigabit PON area. There's a bunch of different PON technologies that are out there today, and GPON's been very widely deployed around the world. There are somewhere around 90 million to 100 million GPON circuits being deployed on an annual basis. And what we wanted to be able to do is realize some of the benefits of that, extend the longevity of a PON investment where if you have gigabit deployments, or, more importantly, if we have multiple deployment gigabit deployments in the same serving area, this is important that you extend that investment out.

The introduction of XGS PON, or what stands for 10-gigabit symmetric PON, is in commercial deployments with our solution today. And then also we're driving the industry in many respects in terms of NGPON2 technology, which is using tunable optics on the ONT side for deployment of multiple wavelengths over PON. We've led the market with over 60 G.fast trials announced on six different continents that we're very actively involved in. Some of those have already been converted to awards as well as having the world's largest deployment, being a primary supplier for the world's largest deployment of vectoring and soon to be supervectoring starting in 2017 at a major carrier in Europe.

Roger spoke about our objectives that we had set for ourselves going through 2015 and we surpassed, but now I'm happy to report that we announced just a few – a week or so ago our 300th gigabit community that we've been participating in. So we're starting to change that storyline a little bit, migrating to where we're talking about the impact on the community by enabling these communities to have gigabit access. And then the other thing that's important to note is we're the leader in CAF2.

CAF2 broadband is a big discussion topic for the carriers in the United States. The Connect America Fund is in its second phase, where the government is subsidizing the carriers for expansion of broadband into the rural company. ADTRAN is either, with the exception of one Price Cap Carrier, the primary or the sole supplier of the CAF2. Many of those are turnkey, using our services as a way to augment the equipment delivery.

Shifting a little bit quickly to the network trends driving a lot of this growth in the investment cycle that we're seeing is the need for speed. Of course, bandwidth, seems to be insatiable demand for bandwidth. The important stats on this chart show that in North America global Internet traffic grow 82 times from 2005 – is projected by 2019. Over that same period of time, I think the more important stat is that video represented or real-time entertainment represented of that traffic, 14% in 2008, where it's projected to represent over 70%. The vast majority of the traffic was in 2015. And so that continues to grow, and what that does is drives different imperatives into the network operators to be able to handle that type of service change.

I mentioned the impact and the effects of gigabit in the community. These are pretty amazing stats. This was sponsored by the Fiber to the Home Council. These were not figures that ADTRAN came up with on their own. But what it showed in the North American space is that if you have gigabit serving a neighborhood that the home value actually increases by over 3%, or $5,500 on a $175,000 home, and maybe even more impressively that 1.1% increase in GDP in the community.

And so now you can understand not only why it's become such an important thing for the operators to focus on trying to connect their constituents with gigabit, but also in many cases now municipalities and local, the cities, are taking matters into their own hands and starting to do some of their own deployments. In fact, recently in Huntsville some of you may have seen Huntsville was on the – our headquarter location in Huntsville, Alabama was on the center stage where Google Fiber announced a dark fiber lease from the Huntsville Utilities is building out fiber in the area there and Google Fiber will be the first tenant or the retail service provider on top, so some really transformative effects that come from the gigabit connectivity.

This is a chart that Jefferies actually published in a report not too long ago, and it shows from the time of 2010 when Google Fiber first came out and said that they were going to build gigabit symmetric networks. You can see a little bit of time passed, but then quickly there you see a mushroom cloud of announcements that followed that. And so this Google Effect, we call it, created this top tier. It pulled the top tier up, where gigabit now is the new threshold that people are pushing toward in terms of capital investment for broadband infrastructure.

Now, moving to software defined, what are the things that I mean by software defined? It's very – put it in the most simplistic form, many – everybody's familiar with Netflix and the impact on the industry. Those Internet traffic charts I showed, I can tell you that two applications drive over 50% of the video traffic, and that's Netflix and YouTube. Those two applications alone are driving more than 50% of that growth in video traffic in our communities. So high-bandwidth cloud-centric applications need, combining that with the need by us users wanting real-time demand and responsiveness from these services drive transition to a need for data center architectures.

All this gets us to a point where the future network state, as we call it, is where you'd like to see fiber connectivity everywhere, the ability to have all the four major objectives at the bottom right, which are expansion of mobile networks, residential broadband services, business services and data center connectivity, enabled through a common network, or what I call multi-service points into the cloud. And so those lines that you see drawn by these particular service objectives through a single network that they can leverage across different types of service delivery is enabled by having open and cloud-controlled solutions and virtualized network functions.

Ultimately in order to deploy those services quickly and meet the real-time demand requirement that has to be automated and programmable. We can't dictate, nor would we even try to dictate what the timing of this would be for any particular operator. What we're just suggesting is that ultimately this seems to be where you'd like to get so you can close the gaps between the traditional telco operators or the cable operators versus those that they're competing with now more and more with web-scale operators like Amazon and Facebook and Google.

So why data center architectures? The new central office won't look like the picture I'm showing here, but what it will do is adopt some of the same principles. The data centers as they've been built out they utilize software-defined networking to create automation and programmability. They apply networks function virtualization to create software-centric network capabilities. And then they fully adopt open architectures. The other thing that we mention here and you'll hear from us more and more in the coming months and quarters is this idea of disaggregating the network.

And so by disaggregating the network you take proprietary, monolithic systems that typically house our captive software and you break those apart to open, standardized systems. And so it's easier to integrate and faster to deploy. One thing we want to emphasize is that we've been doing a transformation of our company towards becoming more of a software company now for over five years. Over 80% of our R&D resources that are spread across the world – we have R&D population centers in Huntsville at our headquarters, in Germany, in three locations in Germany, as well as Hyderabad, India, and they're spread fairly evenly across those sites. That allows us to have literally 24-hour development and testing capability, and we're represented across each major region.

That's important many times when you're trying to be close to the customers that you're serving and understand the markets that you're deploying or building for. The further agile development process has become a bit of a new thing in the industry in the last couple of years. You've heard some of the operators adopting agile development themselves. What it really means is you build in increments that allows you to very quickly bring technology to demonstration phase and determine whether you can realize the benefits of it quickly. And then modular software architecture that I mentioned before shortens integration cycles, minimizes disruption, allows you to package and do unit-level testing on the software.

So with that I'm going to shift it back to Roger and let him touch on a few more things on the network trends.

<<Roger D. Shannon, Senior Vice President of Finance, Chief Financial Officer>>

Thank you, Jay. So Jay has very well talked about the leadership position that ADTRAN has in defining the network. He's talked about the consumer side demand that's been reigniting what we see as a broadband investment cycle that's coming at us again. I'll finish up the drivers by talking about some of the initiatives that are going on around the world. First of all I want to talk about the Connect America Fund, or CAF2, which we have seen beginning to ramp up in 2016. CAF2 has two components to it, one for the Price Cap Carriers, and that money has been flowing and we're seeing activity from that, and the second is from the Rate-of-Return Carriers, which rules came out just after the end of Q1, and that process is still ongoing for funds to be flowing for the Rate-of-Return Carriers in the near future.

We have said and continue to say repeatedly that CAF2 is incremental for our business. We believe it's by definition incremental, where the government through funding to the Tier 1 and Tier 2 Price Cap Carriers of $1.5 billion a year for six years is helping those carriers reach

committed numbers of homes that otherwise would not be reached. As you can see on this slide, 34 million Americans do not have access to fixed broadband of 25/3; 19.9 million don't have 10/1; and 16.1 million don't even have 4/1.

ADTRAN is the top turnkey access supplier for CAF projects. We are the sole or the primary supplier for the majority of the Price Cap Carriers with CAF projects. And what that means is for all the Tier 1 and Tier 2 with the exception of one carrier we are either the sole provider or the primary provider. Also, what we're able to deliver through our services segment is complete turnkey services and solutions that are designed for Rate-of-Return Carriers who may not have the capability or the in-house capacity to implement these networks. Here in this [indiscernible] chart I show some of the representative recipients of the CAF2 funding for the Price Cap Carriers, and you can see those are very substantial amounts by these Tier 1 and Tier 2 carriers.

We also list a construction schedule that's laid out in the bottom of the chart where these carriers have committed to pass a specific number of homes by census block, and to accept that retroactive back to 2015. They have to have 40% completion by 2017, and that increases by 20% a year through 2020.

Moving on to the Rate-of-Return Carriers, which I mentioned the rules just came out shortly after the first quarter, that is even a larger fund, $20 billion over 10 years, or $2 billion per year. This for these Tier 3 carriers is a conversion of the USF, which is more POTS focused, into a broadband focus for the Tier 3 carriers. So from that perspective I guess you could see that it is somewhat maybe not so much substituted but at least transitioning to broadband from POTS. The FCC, we believe, is trying to motivate a two-path approach or adopting more of a model approach, similar to the Price Cap Carriers, and the Rate-of-Return Carriers are going through those calculations now.

So, again, as we mentioned, we see opportunity with these Tier 3 carriers leveraging our services business to provide those implementation services. On the European side there's initiative underway in Europe to provide fast and ultra-fast broadband to all European citizens. For that digital agenda for Europe, the first objective was by 2013 to have basic broadband, or 2 megabits, to all, and that has been claimed. The next benchmark is by 2020 to have all Europeans having access to at least 30 megabits, or what they refer to as next-generation access, and having 50% or more Europeans have access to 100 megabits, or ultra-fast.

And you can see from this chart going from the 100% who have at least 20 megabits to where they need to get of having 30 megabits or 100 megabits there's still quite a bit of territory that must be covered, and we see that as continuing to be a growth opportunity, as Jay mentioned the vectoring and then rolling into supervectoring, which we're a part of that largest rollout. To wrap up the presentation I'm going to transition to some Company financial performance, and I'll highlight that by saying that ADTRAN has had nearly three decades of continuous profitability, as Jay mentioned, starting from the breakout of AT&T up through the present time. We have ongoing very strong balance sheet and cash flow, and we have been publicly traded for 21 years, with full transparency and traded on the NASDAQ.

To give a brief financial summary, show our 2015 numbers, revenues were $600 million, our gross margins in the 44.5% range, and you can see that compared to the current consensus estimates for 2016 of growth in the top line, growth in the gross margins, operating income and EPS. For our Q1 2016 actual we had revenues of $142 million, with material increase in the gross margin, 46.3%, and a substantial increase in our operating income from the prior year. We're particularly seeing strong growth in the domestic revenues and in our services business. This chart shows our quarterly results going back to Q1 of 2015 with the blue boxes showing the growth in the domestic revenues. And for Q1 in 2015 we've had a 39% growth in our domestic revenues. Q1 over Q1 for our services business we had a 95% increase.

We've consistently returned cash to shareholders while maintaining a strong cash position. Since 2012 through 2015 we've returned almost $400 million to shareholders, $310 million of that through share repurchases. And we currently have over $300 million of cash and investments. This chart, I won't get into that. You can see it on the presentation since we're short on time. But we do have a very strong balance sheet, with current ratios with total liabilities to net worth and with gross margins that exceed the industry average.

Unfortunately, I don't have time to get into the changes to the financial reporting. We did put out 8-Ks recently and reported our first quarter under the new segments. This slide just touches on guidance. Again, for the first quarter this is what we've given, revenue to be up – sorry, for the second quarter revenue to be up on a percentage basis in the low to mid-teens, gross margin flattish with our Q1 results, OpEx consistent with Q1 adjusted for increases on sales commissions, and a tax rate in the mid to high 30% range. And, again, thank you very much for your time. We appreciate your interest in ADTRAN.

Q&A

<Q – John Michael>: So just going back to the – what you are talking about with SDN and core, we were at ONS and that seems to be a main focus especially with Tier 1's they are very interested with this. So I'd be interested to hear, as you participate with this how do you see these kind of SDN and virtualized projects changing your economics with these customers does it change that. How does this all play out for you?

<A – Jay Wilson>: Yes. I think it can change the economic, more importantly I think it will change the business model…

<Q – John Michael>: Sure.

<A – Jay Wilson>: And reason for that is going to change it for them, it's going to change it for us. As opposed to having a – you buy a widget from someone and now you figure out how to deploy that and plug it into the OS systems. I think now with this aggregated approach with both software and hardware, you are going to have different components and its going to be of more important role, of a system integration partner that comes along with that. And so having domain expertise in the area that you are focused in, so this significance of what I claim there is having the only access focused core demo and virtual free demo that we've shown. The part that is

important is having the access domain expertise in figuring out how to deploy those solutions. And scale those solutions to reflect the physical network elements were up until this time.

<Q – John Michael>: Sure. And then I guess in terms of just how you get paid for this is it kind of giving up on the revenue side, it comes in less revenue, higher margin, how is that?

<A – Jay Wilson>: I think there is a chance that different components. You are offering the full solution, there shouldn't be a big change.

<Q – John Michael>: Sure.

<A – Jay Wilson>: I do think there is expectations of operational savings associated with it. That they will realize as an operator level and then ultimately overtime CapEx because of standardization and openness of the architecture. And so it's important for us to focus on the things that we do well and make sure that we capture a greater wallet share for the – that part of it. And yield may be to others that are doing specialty and the things that they do well. And it allows us to maybe instead of having pieces that are applicable for only certain carriers over them certain parts of the carrier that we could expand that on a more holistic basis.

<A – Roger D. Shannon>: So as Jay talked that earlier, we are a software company with 82% of our R&D focused on software. So and there has been a lot of discussion about SDN over time, I think there has been a consensus expectations that SDN is coming with some debate over the timing of that and there has been continuous debate over how that is monetized. So with our full service offerings, the services components, the software component and the hardware component, we expect to play in all the areas have continued to engage with customer even past the original sale.

<Q – John Michael>: Sure. And then just going on the CAF2 particularly with the Tier 1s and Tier 2s, have you started to see CAF2 related orders coming from there, is that progressing as expected how is that going so far.

<A – Jay Wilson>: It has absolutely we've seen starting to see a ramp up in Q1 in fact there was some activity in the end of 2015 as CAF1 Phase II ramped down, but we're seeing ramp up in Q1 going on through the course of this year as we talked about the CAF2 for the Price Cap Carriers will extend over an additional five years and the CAF2 for Rate-of-Return Carriers, which is yet to really start in terms of cash flow will be a trigger phenomenon but we are seeing that incremental.

<<John Michael, Analyst, Stifel, Nicolaus & Company>>

All right. With that it's time. Thanks a lot.

<<Jay Wilson, Senior Vice President, Technology and Strategy>>

Thank you very much.