ADTRAN, Inc.

Supplemental Financial Schedule

ADTRAN, Inc. ("ADTRAN" or the "Company") has posted this supplemental unaudited financial schedule on its Investor Relations web page in order to provide investors with (i) supplemental information regarding revenues by segment and category and (ii) updated reconciliations of certain financial measures ("non-GAAP financial measures") prepared other than in accordance with generally accepted accounting principles in the United States ("GAAP") to the most directly comparable financial measures prepared in accordance with GAAP, as such non-GAAP financial measures were discussed on the Company's webcast conference call on February 6, 2020 in which the Company discussed its financial results for the fourth quarter of 2019.

The Company is providing this data for informational purposes only. The information contained herein does not purport to project the Company's results of operations or financial condition for any future period or as of any future date, and operating results for any completed period are not necessarily indicative of the results that may be expected for any other future period. This supplemental financial information should be read in conjunction with the financial and related information contained in our filings with the Securities and Exchange Commission. This document is dated February 25, 2020.

ADTRAN Inc.

Revenues by Segment and Category Classification

For the Three and Twelve Months Ended December 31, 2019 and December 31, 2018

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Segment Revenues:				
Network Solutions	$ 96,219	$ 116,873	$ 455,226	$ 458,232
Services & Support	19,568	23,215	74,835	71,045
Total	**$ 115,787**	**$ 140,088**	**$ 530,061**	**$ 529,277**
Category Revenues:				
Access & Aggregation	$ 74,561	$ 100,547	$ 348,874	$ 358,870
Subscriber Solutions & Experience	33,189	31,247	152,920	134,460
Traditional & Other Products	8,037	8,294	28,267	35,947
Total	**$ 115,787**	**$ 140,088**	**$ 530,061**	**$ 529,277**
Sales by Geographic Region:				
United States	$ 69,893	$ 74,804	$ 300,853	$ 288,843
International	45,894	65,284	229,208	240,434
Total	**$ 115,787**	**$ 140,088**	**$ 530,061**	**$ 529,277**

Reconciliation of Certain Non-GAAP Financial Measures

The tables below present a reconciliation of Non-GAAP Gross Profit, Non-GAAP Gross Margin, Non-GAAP Operating Expenses and Non-GAAP Other Income, each of which is a non-GAAP financial measure, to the most directly comparable financial measure prepared in accordance with GAAP. ADTRAN's management believes that these non-GAAP financial measures are useful and meaningful to management and investors, and management may discuss these non-GAAP financial measures during presentations to investors. Non-GAAP financial measures do not have any standardized meaning and, therefore, may not be comparable to similar measures presented by other companies. The presentation of non-GAAP financial measures is not intended to be a substitute for, and should not be considered in isolation from, financial measures reported in accordance with GAAP.

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Reconciliation of Gross Profit and Gross Margin to Non-GAAP Gross Profit and Non-GAAP Gross Margin

For the Three Months Ended December 31, 2019, September 30, 2019 and December 31, 2018

	Three Months Ended		
	December 31, 2019	September 30 2019	December 31, 2018
Total Sales	$ 115,787	$ 114,092	$ 140,088
Cost of Sales	$ 68,578	$ 67,761	$ 84,700
Acquisition related expenses, amortizations and adjustments	(377)	(358)	(542)
Stock-based compensation expense	(97)	(84)	(120)
Restructuring expenses	(39)	(62)	-
Non-GAAP Cost of Sales	$ 68,065	$ 67,257	$ 84,038
Gross Profit	47,209	46,331	55,388
Non-GAAP Gross Profit	47,722	46,835	56,050
Gross Margin	40.8%	40.6%	39.5%
Non-GAAP Gross Margin	41.2%	41.1%	40.0%

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Reconciliation of Operating Expenses to Non-GAAP Operating Expenses

For the Three Months Ended December 31, 2019, September 30, 2019 and December 31, 2018

	Three Months Ended		
	December 31, 2019	September 30, 2019	December 31, 2018
Operating Expenses	**$ 61,279**	**$ 62,747**	**$ 59,171**
Acquisition related expenses, amortizations and adjustments	(980)	(985)	(891)
Stock-based compensation expense	(1,681)	(1,787)	(1,792)
Restructuring expenses	(1,317)	(1,133)	(25)
Deferred compensation income (expense) (1)	(536)	576	3,739
Non-GAAP Operating Expenses	**$ 56,765**	**$ 59,418**	**$ 60,202**

(1) Includes non-cash change in fair value of equity investments held in the ADTRAN, Inc. Deferred Compensation Program for Employees (as amended and restated as of June 1, 2010) per ASU 2016-01, all of which is included in selling, general and administrative expenses on the consolidated statement of income.

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Reconciliation of Other Income (Loss) to Non-GAAP Other Income (Loss)
For the Three Months Ended December 31, 2019, September 30, 2019 and December 31, 2018

	Three Months Ended		
	December 31, 2019	**September 30, 2019**	**December 31, 2018**
Interest and dividend income	872	610	1,422
Interest expense	(129)	(128)	(135)
Net investment gain (loss)	3,239	(216)	(9,450)
Other income (expense), net	(768)	1,616	1,359
Total Other Income (Loss)	**$ 3,214**	**$ 1,882**	**$ (6,804)**
Deferred compensation income (expense) (1)	(536)	576	3,738
Pension expense (2)	195	198	59
Non-GAAP Other Income (Loss)	**$ 2,873**	**$ 2,656**	**$ (3,007)**

(1) Includes non-cash change in fair value of equity investments held in the ADTRAN, Inc. Deferred Compensation Program for Employees (as amended and restated as of June 1, 2010) per ASU 2016-01, all of which is included in selling, general and administrative expenses on the consolidated statement of income.
(2) Includes amortization of actuarial losses related to the Company's pension plan for employees in certain foreign countries.