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) reconciliations of certain financial measures ("non-GAAP financial measures") prepared other than in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") to the most directly comparable financial measures prepared in accordance with U.S. GAAP, as such non-GAAP financial measures may be discussed on the Company's webcast conference call on May 7, 2020 in which the Company will be discussing its financial results for the first quarter of 2020.

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 May 7, 2020.

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Revenues by Segment and Category Classification

For the Three Months Ended March 31, 2020, December 31, 2019 and March 31, 2019

	Three Months Ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Segment Revenues:			
Network Solutions	$ 97,372	$ 96,219	$ 125,822
Services & Support	17,151	19,568	17,969
Total	**$ 114,523**	**$ 115,787**	**$ 143,791**
Category Revenues:			
Access & Aggregation	$ 65,966	$ 74,561	$ 99,778
Subscriber Solutions & Experience	42,179	33,189	36,753
Traditional & Other Products	6,378	8,037	7,260
Total	**$ 114,523**	**$ 115,787**	**$ 143,791**
Sales by Geographic Region:			
United States	$ 78,991	$ 69,893	$ 72,528
International	35,532	45,894	71,263
Total	**$ 114,523**	**$ 115,787**	**$ 143,791**

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 (Loss), each of which is a non-GAAP financial measure, to the most directly comparable financial measure prepared in accordance with U.S. 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 U.S. 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 March 31, 2020, December 31, 2019 and March 31, 2019

	Three Months Ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Total Sales	$ 114,523	$ 115,787	$ 143,791
Cost of Sales	$ 62,923	$ 68,578	$ 83,179
Acquisition related expenses, amortizations and adjustments	(292)	(377)	(514)
Stock-based compensation expense	(115)	(97)	(104)
Restructuring expenses	(34)	(39)	(635)
Non-GAAP Cost of Sales	$ 62,482	$ 68,065	$ 81,926
Gross Profit	51,600	47,209	60,612
Non-GAAP Gross Profit	52,041	47,722	61,865
Gross Margin	45.1%	40.8%	42.2%
Non-GAAP Gross Margin	45.4%	41.2%	43.0%

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Reconciliation of Operating Expenses to Non-GAAP Operating Expenses

For the Three Months Ended March 31, 2020, December 31, 2019 and March 31, 2019

	Three Months Ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Operating Expenses	**$ 56,479**	**$ 61,279**	**$ 66,779**
Acquisition related expenses, amortizations and adjustments	(1,066)	(980)	(983)
Stock-based compensation expense	(1,676)	(1,681)	(1,755)
Restructuring expenses	(519)	(1,317)	(1,428)
Deferred compensation adjustments [(1)]	3,460	(536)	(2,124)
Non-GAAP Operating Expenses	**$ 56,678**	**$ 56,765**	**$ 60,489**

(1) Includes non-cash change in fair value of equity investments held in deferred compensation plans offered to certain employees which is included in selling, general and administrative expenses on the consolidated statements of income (loss).

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Reconciliation of Other Income (Loss) to Non-GAAP Other Income (Loss)
For the Three Months Ended March 31, 2020, December 31, 2019 and March 31, 2019

	Three Months Ended		
	March 31, 2020	**December 31, 2019**	**March 31, 2019**
Interest and dividend income	356	872	591
Interest expense	(1)	(129)	(127)
Net investment gain (loss)	(10,877)	3,239	5,926
Other income (expense), net	1,129	(768)	855
Total Other Income (Loss)	**$ (9,393)**	**$ 3,214**	**$ 7,245**
Deferred compensation adjustments (1)	1,672	(536)	(2,124)
Pension expense (2)	237	195	203
Non-GAAP Other Income (Loss)	**$ (7,484)**	**$ 2,873**	**$ 5,324**

(1) Includes non-cash change in fair value of equity investments held in deferred compensation plans offered to certain employees and a net investment gain of $1.5 million related to the out of period remeasurement to historical cost basis of certain long-term investments held in the Company's stock as part of one of these deferred compensation plans.
(2) Includes amortization of actuarial losses related to the Company's pension plan for employees in certain foreign countries.