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 August 6, 2020 in which the Company will be discussing its financial results for the second 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 August 6, 2020.

ADTRAN Inc.

Revenues by Segment and Category Classification

For the Three Months Ended June 30, 2020, March 31, 2020 and June 30, 2019

	Three Months Ended		
	June 30, 2020	**March 31, 2020**	**June 30, 2019**
Segment Revenues:			
Network Solutions	$ 111,323	$ 97,372	$ 139,167
Services & Support	17,392	17,151	17,224
Total	**$ 128,715**	**$ 114,523**	**$ 156,391**
Category Revenues:			
Access & Aggregation	$ 82,776	$ 65,966	$ 109,421
Subscriber Solutions & Experience	40,393	42,179	40,502
Traditional & Other Products	5,546	6,378	6,468
Total	**$ 128,715**	**$ 114,523**	**$ 156,391**
Sales by Geographic Region:			
United States	$ 84,458	$ 78,991	$ 75,288
International	44,257	35,532	81,103
Total	**$ 128,715**	**$ 114,523**	**$ 156,391**

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.

ADTRAN Inc.

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

For the Three Months Ended June 30, 2020, March 31, 2020 and June 30, 2019

	Three Months Ended		
	June 30, 2020	March 31, 2020	June 30, 2019
Total Sales	$ 128,715	$ 114,523	$ 156,391
Cost of Sales	$ 75,243	$ 62,923	$ 91,376
Acquisition related expenses, amortizations and adjustments	(21)	(292)	(405)
Stock-based compensation expense	(87)	(115)	(85)
Restructuring expenses	(23)	(34)	(49)
Settlement income	—	—	746
Non-GAAP Cost of Sales	$ 75,112	$ 62,482	$ 91,583
Gross Profit	53,472	51,600	65,015
Non-GAAP Gross Profit	53,603	52,041	64,808
Gross Margin	41.5%	45.1%	41.6%
Non-GAAP Gross Margin	41.6%	45.4%	41.4%

ADTRAN Inc.

Reconciliation of Operating Expenses to Non-GAAP Operating Expenses

For the Three Months Ended June 30, 2020, March 31, 2020 and June 30, 2019

	Three Months Ended		
	June 30, 2020	March 31, 2020	June 30, 2019
Operating Expenses	**$ 59,511**	**$ 56,479**	**$ 65,683**
Acquisition related expenses, amortizations and adjustments	(1,079)	(1,066)	(1,101)
Stock-based compensation expense	(1,568)	(1,676)	(1,369)
Restructuring expenses	(1,170)	(519)	(1,351)
Deferred compensation adjustments (1)	(3,433)	3,460	(683)
Non-GAAP Operating Expenses	**$ 52,261**	**$ 56,678**	**$ 61,179**

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

ADTRAN Inc.
Reconciliation of Other Income (Loss) to Non-GAAP Other Income (Loss)
For the Three Months Ended June 30, 2020, March 31, 2020 and June 30, 2019

	Three Months Ended		
	June 30, 2020	**March 31, 2020**	**June 30, 2019**
Interest and dividend income	331	356	692
Interest expense	-	(1)	(127)
Net investment gain (loss)	9,852	(10,877)	2,485
Other income (expense), net	(1,757)	1,129	(205)
Total Other Income (Loss)	**$ 8,426**	**$ (9,393)**	**$ 2,845**
Deferred compensation adjustments (1)	(2,989)	1,672	(683)
Pension expense (2)	235	237	199
Non-GAAP Other Income (Loss)	**$ 5,672**	**$ (7,484)**	**$ 2,361**

(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.