UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______ to _______

Commission File Number: 000-24612

ADTRAN, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	**63-0918200** (I.R.S. Employer Identification No.)
901 Explorer Boulevard **Huntsville, Alabama** (Address of principal executive offices)	**35806-2807** (Zip Code)

Registrant's telephone number, including area code: (256) 963-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $0.01 per share	ADTN	The NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 4, 2021, the registrant had 48,561,812 shares of common stock, $0.01 par value per share, outstanding.

ADTRAN, Inc.

Quarterly Report on Form 10-Q
For the Three and Six Months Ended June 30, 2021

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of ADTRAN, Inc. ("ADTRAN", the "Company", "we", "our" or "us"). ADTRAN and its representatives may from time to time make written or oral forward-looking statements, including statements contained in this report, our other filings with the Securities and Exchange Commission (the "SEC") and other communications with our stockholders. Any statement that does not directly relate to a historical or current fact is a forward-looking statement. Generally, the words, "believe", "expect", "intend", "estimate", "anticipate", "will", "may", "could" and similar expressions identify forward-looking statements. We caution you that any forward-looking statements made by us or on our behalf are subject to uncertainties and other factors that could affect the accuracy of such statements. The following are some of the risks that could affect our financial performance or could cause actual results to differ materially from those expressed or implied in our forward-looking statements:

- Our revenues for a particular period can be difficult to predict, and a shortfall in revenue may harm our operating results.
- The lengthy sales and approval process required by service providers for new products could result in fluctuations in our revenue.
- We depend heavily on sales to certain customers; the loss of any of these customers would significantly reduce our revenues and net income.
- Our exposure to the credit risks of our customers and distributors may make it difficult to collect accounts receivable and could adversely affect our operating results, financial condition and cash flows.
- We expect gross margins to vary over time, and our levels of product and services gross margins may not be sustainable.
- Our dependence on a limited number of suppliers for certain raw materials and key components may prevent us from delivering our products on a timely basis, which could have a material adverse effect on customer relations and operating results.
- General economic conditions may reduce our revenues and harm our operating results, financial condition and cash flows.
- The ongoing COVID-19 pandemic has impacted and may continue to impact our business, results of operations and financial condition, particularly our supply chain and workforce.
- We compete in markets that have become increasingly competitive, which may result in reduced gross profit margins and market share.
- Our estimates regarding future warranty obligations may change due to product failure rates, installation and shipment volumes, field service repair obligations and other rework costs incurred in correcting product failures. If our estimates change, the liability for warranty obligations may be increased or decreased, impacting future cost of goods sold.
- Managing our inventory is complex and may include write-downs of excess or obsolete inventory.
- The continuing growth of our international operations could expose us to additional risks, increase our costs and adversely affect our operating results, financial condition and cash flow.
- If we are unable to integrate acquisitions successfully, it could adversely affect our operating results, financial condition and cash flow.
- Our success depends on our ability to optimize the selling prices of succeeding generations of our products in order to gain market share.
- If we fail to manage our exposure to worldwide financial and securities markets successfully, our operating results and financial statements could be materially impacted.
- We are currently in the process of implementing a new enterprise resource planning software ("ERP") solution. If we do not effectively implement this project, or any future associated updates, our operations could be significantly disrupted.
- Breaches of our information systems and cyber-attacks could compromise our intellectual property and cause significant damage to our business and reputation.
- A material weakness in our internal control over financial reporting could result in a loss of investor confidence in the reliability of our financial statements, which in turn could negatively affect the price of our common stock.
- We must continue to update and improve our products and develop new products to compete and to keep pace with improvements in communications technology.
- Our failure or the failure of our contract manufacturers to comply with applicable environmental regulations could adversely impact our results of operations.
- If our products do not interoperate with our customers' networks, installations may be delayed or canceled, which could harm our business.
- We engage in research and development activities to develop new, innovative solutions and to improve the application of developed technologies, and as a consequence we may miss certain market opportunities enjoyed by larger companies with substantially greater research and development efforts and which may focus on more leading edge development.
- Our strategy of outsourcing a portion of our manufacturing requirements to subcontractors located in various international regions may result in us not meeting our cost, quality or performance standards.
- Our failure to maintain rights to intellectual property used in our business could adversely affect the development, functionality and commercial value of our products.
- Software under license from third parties for use in certain of our products may not continue to be available to us on commercially reasonable terms.

- Our use of open source software could impose limitations on our ability to commercialize our products.
- We may incur liabilities or become subject to litigation that may have a material effect on our business.
- If we are unable to successfully develop and maintain relationships with system integrators, service providers and enterprise value-added resellers, our revenue may be negatively affected.
- Our operating results may fluctuate in future periods, which may adversely affect our stock price.
- The price of our common stock has been volatile and may continue to fluctuate significantly.
- We are subject to complex and evolving U.S. and foreign laws, regulations and standards governing the conduct of our business. Violations of these laws and regulations may harm our business, subject us to penalties and to other adverse consequences.
- Changes in trade policy in the U.S. and other countries, specifically the U.K. and China, including the imposition of additional tariffs and the resulting consequences, may adversely impact our gross profits, gross margins, results of operations and financial condition.
- New or revised tax regulations, changes in our effective tax rate, recognition of a valuation allowance or assessments arising from tax audits may have an adverse impact on our results.

The foregoing list of risks is not exclusive. For a more detailed description of the risk factors associated with our business, see Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021 (the "2020 Form 10-K"), as well as the risk factors set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q. We caution investors that other factors may prove to be important in the future in affecting our operating results. New factors emerge from time to time, and it is not possible for us to predict all of these factors, nor can we assess the impact each factor, or a combination of factors, may have on our business.

You are further cautioned not to place undue reliance on these forward-looking statements because they speak only of our views as of the date that the statements were made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

GLOSSARY OF SELECTED TERMS

Below are certain acronyms, concepts and defined terms commonly used in our industry and in this Quarterly Report on Form 10-Q, along with their meanings:

Acronym/Concept/ Defined Term	Meaning
carrier	Entity that provides voice, data or video services to consumers and businesses
CPE	Customer-Premises Equipment
CSP	Communication Service Provider
DSO	Days Sales Outstanding
ERP	Enterprise Resource Planning Software
FCC	Federal Communications Commission
LAN	Local Area Network
RDOF	Rural Digital Opportunity Fund
Service Provider	Entity that provides voice, data or video services to consumers and businesses
System Integrator	Person or company that specializes in bringing together component subsystems into a whole and ensuring that those subsystems function together
WAN	Wide Area Network

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ADTRAN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

	June 30, 2021	December 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents	$ 69,927	$ 60,161
Restricted cash	54	18
Short-term investments (includes $1,418 and $1,731 of available-for-sale securities as of June 30, 2021 and December 31, 2020, respectively, reported at fair value)	2,818	3,131
Accounts receivable, less allowance for expected credit losses of $0 as of June 30, 2021 and $38 as of December 31, 2020	122,669	98,827
Other receivables	20,187	21,531
Inventory, net	119,012	125,457
Prepaid expenses and other current assets	9,830	8,293
Total Current Assets	**344,497**	**317,418**
Property, plant and equipment, net	58,270	62,399
Deferred tax assets, net	9,165	9,869
Goodwill	6,968	6,968
Intangibles, net	21,354	23,470
Other assets	28,394	25,425
Long-term investments (includes $43,062 and $43,385 of available-for-sale securities as of June 30, 2021 and December 31, 2020, respectively, reported at fair value)	82,778	80,130
Total Assets	**$ 551,426**	**$ 525,679**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 66,499	$ 49,929
Unearned revenue	15,889	14,092
Accrued expenses and other liabilities	15,655	13,609
Accrued wages and benefits	15,681	15,262
Income tax payable, net	2,345	1,301
Total Current Liabilities	**116,069**	**94,193**
Non-current unearned revenue	7,030	6,888
Pension liability	17,566	18,664
Deferred compensation liability	28,769	25,866
Other non-current liabilities	6,477	7,124
Total Liabilities	**175,911**	**152,735**
Commitments and contingencies (see Note 18)		
Stockholders' Equity		
Common stock, par value $0.01 per share; 200,000 shares authorized; 79,652 shares issued and 48,524 shares outstanding as of June 30, 2021 and 79,652 shares issued and 48,241 shares outstanding as of December 31, 2020	797	797
Additional paid-in capital	285,081	281,466
Accumulated other comprehensive loss	(13,140)	(11,639)
Retained earnings	776,054	781,813
Treasury stock at cost: 31,128 and 31,280 shares at June 30, 2021 and December 31, 2020, respectively	(673,277)	(679,493)
Total Stockholders' Equity	**375,515**	**372,944**
Total Liabilities and Stockholders' Equity	**$ 551,426**	**$ 525,679**

See accompanying notes to condensed consolidated financial statements.

ADTRAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue				
Network Solutions	$ 125,449	$ 111,323	$ 239,258	$ 208,695
Services & Support	17,783	17,392	31,507	34,543
Total Revenue	**143,232**	**128,715**	**270,765**	**243,238**
Cost of Revenue				
Network Solutions	70,014	64,071	135,015	115,697
Services & Support	10,550	11,172	19,481	22,469
Total Cost of Revenue	**80,564**	**75,243**	**154,496**	**138,166**
Gross Profit	**62,668**	**53,472**	**116,269**	**105,072**
Selling, general and administrative expenses	30,866	30,799	58,301	57,419
Research and development expenses	27,871	28,712	55,372	58,571
Asset impairments	—	—	—	65
Operating Income (Loss)	**3,931**	**(6,039)**	**2,596**	**(10,983)**
Interest and dividend income	253	331	543	687
Interest expense	(6)	—	(12)	(1)
Net investment gain (loss)	2,009	9,852	3,005	(1,025)
Other income (expense), net	26	(1,757)	2,025	(628)
Income (Loss) Before Income Taxes	**6,213**	**2,387**	**8,157**	**(11,950)**
Income tax (expense) benefit	(1,127)	(1,635)	(2,175)	2,733
Net Income (Loss)	**$ 5,086**	**$ 752**	**$ 5,982**	**$ (9,217)**
Weighted average shares outstanding – basic	48,449	47,958	48,393	47,957
Weighted average shares outstanding – diluted	49,426	48,254	49,225	47,957
Earnings (loss) per common share – basic	$ 0.10	$ 0.02	$ 0.12	$ (0.19)
Earnings (loss) per common share – diluted	$ 0.10	$ 0.02	$ 0.12	$ (0.19)

See accompanying notes to condensed consolidated financial statements.

ADTRAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Net Income (Loss)	$ 5,086	$ 752	$ 5,982	$ (9,217)
Other Comprehensive Income (Loss), net of tax				
Net unrealized gain (loss) on available-for-sale securities	(95)	373	(287)	490
Defined benefit plan adjustments	212	191	311	332
Foreign currency translation	338	1,899	(1,525)	249
Other Comprehensive Income (Loss), net of tax	**455**	**2,463**	**(1,501)**	**1,071**
Comprehensive Income (Loss), net of tax	**$ 5,541**	**$ 3,215**	**$ 4,481**	**$ (8,146)**

See accompanying notes to condensed consolidated financial statements.

ADTRAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands, except per share amounts)

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of December 31, 2019	**79,652**	**$ 797**	**$ 274,632**	**$ 806,702**	**$ (685,288)**	**$ (16,417)**	**$ 380,426**
Net loss	—	—	—	(9,969)	—	—	(9,969)
Other comprehensive loss, net of tax	—	—	—	—	—	(1,392)	(1,392)
Dividend payments ($0.09 per share)	—	—	—	(4,328)	—	—	(4,328)
Dividends accrued on unvested RSUs	—	—	—	(32)	—	—	(32)
Deferred compensation adjustments, net of tax	—	—	—	—	(2,758)	—	(2,758)
PSUs, RSUs and restricted stock vested	—	—	—	(1,524)	1,501	—	(23)
Stock-based compensation expense	—	—	1,791	—	—	—	1,791
Balance as of March 31, 2020	**79,652**	**$ 797**	**$ 276,423**	**$ 790,849**	**$ (686,545)**	**$ (17,809)**	**$ 363,715**
Net income	—	—	—	752	—	—	752
Other comprehensive income, net of tax	—	—	—	—	—	2,463	2,463
Dividend payments ($0.09 per share)	—	—	—	(4,337)	—	—	(4,337)
Dividends accrued on unvested RSUs	—	—	—	(28)	—	—	(28)
Deferred compensation adjustments, net of tax	—	—	—	—	(24)	—	(24)
PSUs, RSUs and restricted stock vested	—	—	—	(16)	14	—	(2)
Stock-based compensation expense	—	—	1,655	—	—	—	1,655
Balance as of June 30, 2020	**79,652**	**$ 797**	**$ 278,078**	**$ 787,220**	**$ (686,555)**	**$ (15,346)**	**$ 364,194**

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of December 31, 2020	**79,652**	**$ 797**	**$ 281,466**	**$ 781,813**	**$ (679,493)**	**$ (11,639)**	**$ 372,944**
Net income	—	—	—	896	—	—	896
Other comprehensive loss, net of tax	—	—	—	—	—	(1,956)	(1,956)
Dividend payments ($0.09 per share)	—	—	—	(4,361)	—	—	(4,361)
Dividends accrued on unvested RSUs	—	—	—	(68)	—	—	(68)
Deferred compensation adjustments, net of tax	—	—	—	—	(50)	—	(50)
PSUs, RSUs and restricted stock vested	—	—	—	(1,683)	1,602	—	(81)
Stock options exercised	—	—	—	(476)	1,720	—	1,244
Stock-based compensation expense	—	—	1,807	—	—	—	1,807
Balance as of March 31, 2021	**79,652**	**$ 797**	**$ 283,273**	**$ 776,121**	**$ (676,221)**	**$ (13,595)**	**$ 370,375**
Net income	—	—	—	5,086	—	—	5,086
Other comprehensive income, net of tax	—	—	—	—	—	455	455
Dividend payments ($0.09 per share)	—	—	—	(4,374)	—	—	(4,374)
Dividends accrued on unvested RSUs	—	—	—	(128)	—	—	(128)
Deferred compensation adjustments, net of tax	—	—	—	—	(12)	—	(12)
PSUs, RSUs and restricted stock vested	—	—	—	(32)	29	—	(3)
Stock options exercised	—	—	—	(619)	2,927	—	2,308
Stock-based compensation expense	—	—	1,808	—	—	—	1,808
Balance as of June 30, 2021	**79,652**	**$ 797**	**$ 285,081**	**$ 776,054**	**$ (673,277)**	**$ (13,140)**	**$ 375,515**

See accompanying notes to condensed consolidated financial statements.

ADTRAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash flows from operating activities:		
Net income (loss)	$ 5,982	$ (9,217)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	8,232	8,404
(Gain) loss on investments	(3,255)	1,025
Stock-based compensation expense	3,615	3,446
Deferred income taxes	441	(5)
Other	53	138
Asset impairments	—	65
Changes in operating assets and liabilities:		
Accounts receivable, net	(24,322)	(4,727)
Other receivables	1,412	(9,468)
Inventory, net	5,940	(7,878)
Prepaid expenses, other current assets and other assets	(4,767)	1,444
Accounts payable	16,814	17,389
Accrued expenses and other liabilities	6,999	2,097
Income taxes payable, net	1,069	(1,032)
Net cash provided by operating activities	**18,213**	**1,681**
Cash flows from investing activities:		
Purchases of property, plant and equipment	(2,210)	(3,148)
Proceeds from sales and maturities of available-for-sale investments	20,597	63,318
Purchases of available-for-sale investments	(20,121)	(31,897)
Acquisition of note receivable	—	(523)
Net cash provided by (used in) investing activities	**(1,734)**	**27,750**
Cash flows from financing activities:		
Proceeds from stock option exercises	3,552	—
Tax withholdings related to stock-based compensation settlements	(113)	—
Dividend payments	(8,735)	(8,665)
Repayment of bonds payable	—	(24,600)
Net cash used in financing activities	**(5,296)**	**(33,265)**
Net increase (decrease) in cash, cash equivalents and restricted cash	11,183	(3,834)
Effect of exchange rate changes	(1,381)	306
Cash, cash equivalents and restricted cash, beginning of period	**60,179**	**73,773**
Cash, cash equivalents and restricted cash, end of period	**$ 69,981**	**$ 70,245**
Supplemental disclosure of non-cash investing activities:		
Right-of-use assets obtained in exchange for lease obligations	$ 275	$ 93
Purchases of property, plant and equipment included in accounts payable	$ 144	$ 198

See accompanying notes to condensed consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of ADTRAN®, Inc. and its subsidiaries ("ADTRAN", the "Company", "we", "our" or "us") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") applicable to interim financial information presented in Quarterly Reports on Form 10-Q. Accordingly, certain information and notes required by generally accepted accounting principles in the United States of America ("U.S. GAAP") for complete financial statements are not included herein. The December 31, 2020 Condensed Consolidated Balance Sheet is derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

In the opinion of management, all adjustments necessary to fairly state these interim statements have been recorded and are of a normal and recurring nature. The results of operations for an interim period are not necessarily indicative of the results for the full year. The interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in ADTRAN's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. The more significant estimates include excess and obsolete inventory reserves, warranty reserves, customer rebates, determination and accrual of deferred revenue components of multi-element sales agreements, estimated costs to complete obligations associated with deferred and accrued revenues and network installations, estimated income tax provision and income tax contingencies, fair value of stock-based compensation, assessment of goodwill and other intangibles for impairment, estimated lives of intangible assets, estimated pension liability and fair value of investments. Actual amounts could differ significantly from these estimates.

We assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to us and the unknown future impacts of the SARS-CoV-2 coronavirus/COVID-19 global pandemic (or variants of the SARS-CoV-2 coronavirus, including the Delta variant) as of June 30, 2021 and through the date of this report. The accounting matters assessed included, but were not limited to, the allowance for expected credit losses, stock-based compensation, carrying value of goodwill, intangibles and other long-lived assets, financial assets, valuation allowances for tax assets and revenue recognition. While there was not a material impact to our consolidated financial statements as of and for the six months ended June 30, 2021 resulting from these assessments, future conditions related to the magnitude and duration of the COVID-19 pandemic, as well as other factors, could result in material impacts to our consolidated financial statements in future reporting periods.

Correction of an Immaterial Misstatement

During the three months ended March 31, 2020, it was determined that certain investments held in the Company's stock for a deferred compensation plan accounted for as a Rabbi trust were incorrectly classified as long-term investments with the fair value of such investments incorrectly marked to market at each period end rather than classified as Treasury stock held at historical cost. This plan has been in existence since 2011. The Company corrected this misstatement as an out-of-period adjustment in the three months ended March 31, 2020 by remeasuring the investment assets to their historical cost basis through the recording of a net investment gain of $1.5 million in the unaudited Condensed Consolidated Statement of Income (Loss) and then correcting the classification by decreasing the long-term investment balance at its remeasured cost basis of $2.8 million to Treasury stock in the unaudited Condensed Consolidated Balance Sheet as of March 31, 2020. Management has determined that this misstatement was not material to any of its previously issued financial statements and that the correction of the misstatement was not material to the Company's 2020 annual financial results on either a quantitative or qualitative basis.

Recently Adopted Accounting Pronouncements

We recently adopted the following accounting standards, which had the following impacts on our condensed consolidated financial statements:

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans,* which makes changes to and clarifies the disclosure requirements related to defined benefit pension and other postretirement plans. ASU 2018-14 requires additional disclosures related to the reasons for significant gains and losses affecting the benefit obligation and an explanation of any other significant changes in the benefit obligation or plan assets that are not otherwise apparent in other disclosures required by Accounting Standards Codification ("ASC") 715. ASU 2018-14 also clarifies the guidance in ASC 715 to require disclosure of the projected benefit obligation ("PBO") and fair value of plan assets for pension plans with PBOs in excess of plan assets and the accumulated benefit obligation ("ABO") and fair value of plan assets for pension plans with ABOs in excess of plan assets. ASU 2018-14 became effective for public business entities for fiscal years ending after December 15, 2020. The adoption of this standard did not have a material effect on the disclosures in the condensed consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,* which simplifies the accounting for income taxes by removing various exceptions, such as the exception to the incremental approach for intra-period tax allocation when there is a loss from continuing operations and income or a gain from other items. The amendments in this update also simplify the accounting for income taxes related to income-based franchise taxes and require that an entity reflect enacted tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The Company early adopted ASU 2019-12 on April 1, 2020, which was applied on a prospective basis as if the Company adopted the standard on January 1, 2020. The Company early adopted the standard to take advantage of the simplification of rules for income taxes on intra-period tax allocations. Specifically, the adoption of this standard resulted in the recognition of approximately $0.1 million of tax benefit in other comprehensive income (loss) for the three months ended March 31, 2020, that otherwise would have been recognized in continuing operations had the intra-period tax allocation been completed. There were no other impacts from this standard on the condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

There are currently no recent accounting pronouncements that have not yet been adopted and that would have a material effect, once adopted, on the condensed consolidated financial statements.

2. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Condensed Consolidated Statements of Cash Flows:

(In thousands)	As of June 30, 2021	As of December 31, 2020
Cash and cash equivalents	$ 69,927	$ 60,161
Restricted cash	54	18
Cash, cash equivalents and restricted cash	**$ 69,981**	**$ 60,179**

See Note 18 for additional information regarding restricted cash.

3. REVENUE

The following is a description of the principal activities from which revenue is generated by reportable segment:

Network Solutions Segment - Includes hardware products and software-defined next-generation virtualized solutions used in service provider or business networks, as well as prior generation products.

Services & Support Segment - Includes maintenance, network implementation, solutions integration and managed services, which include hosted cloud services and subscription services.

Revenue by Category

In addition to our reportable segments, revenue is also reported for the following three categories – Access & Aggregation, Subscriber Solutions & Experience and Traditional & Other Products.

The following tables disaggregate revenue by reportable segment and revenue category:

	Three Months Ended					
	June 30, 2021			June 30, 2020		
(In thousands)	Network Solutions	Services & Support	Total	Network Solutions	Services & Support	Total
Access & Aggregation	$ 78,307	$ 12,657	$ 90,964	$ 69,721	$ 13,055	$ 82,776
Subscriber Solutions & Experience	45,097	2,713	47,810	38,081	2,312	40,393
Traditional & Other Products	2,045	2,413	4,458	3,521	2,025	5,546
Total	**$ 125,449**	**$ 17,783**	**$ 143,232**	**$ 111,323**	**$ 17,392**	**$ 128,715**

	Six Months Ended					
	June 30, 2021			June 30, 2020		
(In thousands)	Network Solutions	Services & Support	Total	Network Solutions	Services & Support	Total
Access & Aggregation	$ 138,360	$ 21,678	$ 160,038	$ 122,776	$ 25,966	$ 148,742
Subscriber Solutions & Experience	97,366	5,013	102,379	78,064	4,508	82,572
Traditional & Other Products	3,532	4,816	8,348	7,855	4,069	11,924
Total	**$ 239,258**	**$ 31,507**	**$ 270,765**	**$ 208,695**	**$ 34,543**	**$ 243,238**

Revenue allocated to remaining performance obligations represents contract revenues that have not yet been recognized for contracts with a duration of greater than one year. As of June 30, 2021, we did not have any significant performance obligations related to customer contracts that had an original expected duration of one year or more, other than maintenance services, which are satisfied over time. As a practical expedient, for certain contracts we recognize revenue equal to the amounts that we are entitled to invoice, which correspond to the value of completed performance obligations to date. The amount related to these performance obligations was $19.7 million and $17.7 million as of June 30, 2021 and December 31, 2020, respectively. The Company expects to recognize 64% of the $19.7 million as of June 30, 2021 over the next 12 months, with the remainder to be recognized thereafter.

The following table provides information about receivables, contract assets and unearned revenue from contracts with customers:

(In thousands)	As of June 30, 2021	As of December 31, 2020
Accounts receivable, net	$ 122,669	$ 98,827
Contract assets(1)	$ 1,036	$ 63
Unearned revenue	$ 15,889	$ 14,092
Non-current unearned revenue	$ 7,030	$ 6,888

(1) Included in other receivables on the Condensed Consolidated Balance Sheets.

Of the outstanding unearned revenue balances as of December 31, 2020 $2.9 million and $7.9 million were recognized as revenue during the three and six months ended June 30, 2021, respectively.

4. INCOME TAXES

Our effective tax rate decreased from an expense of 68.5% for the three months ended June 30, 2020, to an expense of 18.1% for the three months ended June 30, 2021 and increased from a benefit of 22.9% for the six months ended June 30, 2020 to an expense of 26.7% for the six months ended June 30, 2021. The change in the effective tax rate for the three months ended June 30, 2021 was driven by tax expense in our international operations and additional changes in the valuation allowance related to our domestic operations. The change in the effective tax rate for the six months ended June 30, 2021 was primarily driven by a tax benefit of $7.4 million recognized during the six months ended June 30, 2020 as a result of the passing of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) on March 27, 2020, which allowed for the carryback of federal net operating losses, partially offset with tax expense in our international operations in the current quarter. Additionally, on February 12, 2021, the Alabama Business Tax Competitiveness Act was signed into law. As a result of the Act, we recognized an expense of $1.6 million related to the revaluation of our deferred tax assets, which was offset by changes in our valuation allowance previously recorded against our domestic deferred tax assets. The total increase in the valuation allowance against our domestic deferred tax assets was recorded in the amount of $1.6 million during the six months ended June 30, 2021.

The Company continually reviews the adequacy of its valuation allowance and recognizes the benefits of deferred tax assets only as the reassessment indicates that it is more likely than not that the deferred tax assets will be recognized in accordance with ASC 740, *Income Taxes.* As of June 30, 2021, the Company had deferred tax assets totaling $56.9 million, and a valuation allowance totaling $47.8 million against those deferred tax assets. The remaining $9.2 million in deferred tax assets not offset by a valuation allowance are located in various foreign jurisdictions where the Company believes it is more likely than not we will realize these deferred tax assets. Our assessment of the realizability of our deferred tax assets includes the evaluation of historical operating results as well as the evaluation of evidence which requires significant judgement, including the evaluation of our three-year cumulative income position, future taxable income projections and tax planning strategies. Should management's conclusion change in the future and an additional valuation allowance or a partial or full release of the valuation allowance becomes necessary, it could have a material effect on our consolidated financial statements.

Supplemental balance sheet information related to deferred tax assets is as follows:

	As of June 30, 2021		
(In thousands)	Deferred Tax Assets	Valuation Allowance	Deferred Tax Assets, net
Domestic	$ 45,383	$ (45,383)	$ —
International	11,558	(2,393)	9,165
Total	**$ 56,941**	**$ (47,776)**	**$ 9,165**

	As of December 31, 2020		
(In thousands)	Deferred Tax Assets	Valuation Allowance	Deferred Tax Assets, net
Domestic	$ 43,791	$ (43,791)	$ —
International	11,896	(2,027)	9,869
Total	**$ 55,687**	**$ (45,818)**	**$ 9,869**

5. STOCK-BASED COMPENSATION

The following table summarizes stock-based compensation expense related to stock options, performance stock units ("PSUs"), restricted stock units ("RSUs") and restricted stock:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2021	2020	2021	2020
Stock-based compensation expense included in cost of revenue	**$ 125**	**$ 87**	**$ 256**	**$ 202**
Selling, general and administrative expense	1,098	971	2,196	2,046
Research and development expense	585	597	1,163	1,198
Stock-based compensation expense included in operating expenses	**1,683**	**1,568**	**3,359**	**3,244**
Total stock-based compensation expense	**1,808**	**1,655**	**3,615**	**3,446**
Tax benefit for expense associated with stock options, PSUs, RSUs and restricted stock	(452)	(394)	(883)	(821)
Total stock-based compensation expense, net of tax	**$ 1,356**	**$ 1,261**	**$ 2,732**	**$ 2,625**

PSUs, RSUs and Restricted Stock

The following table summarizes PSUs, RSUs and restricted stock outstanding as of December 31, 2020 and June 30, 2021 and the changes that occurred during the six months ended June 30, 2021:

	Number of Shares (in thousands)	Weighted Avg. Grant Date Fair Value (per share)
Unvested PSUs, RSUs and restricted stock outstanding, December 31, 2020	**1,846**	**$ 11.49**
PSUs, RSUs and restricted stock granted	357	$ 16.73
PSUs, RSUs and restricted stock vested	(12)	$ 11.76
PSUs, RSUs and restricted stock forfeited	(47)	$ 11.58
Unvested PSUs, RSUs and restricted stock outstanding, June 30, 2021	**2,144**	**$ 12.41**

During each of the six month periods ended June 30, 2021 and 2020, the Company granted 0.3 million performance-based PSUs to its executive officers and certain employees. The grant-date fair value of these performance-based awards was based on the closing price of the Company's stock on the date of grant. These awards vest over two-year and three-year periods, respectively, subject to the grantee's continued employment, with the ability to earn shares in a range of 0% to 142.8% of the awarded number of PSUs based on the achievement of defined performance targets. Equity-based compensation expense with respect to these awards may be adjusted over the vesting period to reflect the probability of achievement of performance targets defined in the award agreements.

The fair value of RSUs and restricted stock is equal to the closing price of our stock on the date of grant. The fair value of PSUs with market conditions is calculated using a Monte Carlo simulation valuation method.

As of June 30, 2021, total unrecognized compensation expense related to non-vested market-based PSUs, RSUs and restricted stock was approximately $13.2 million, which will be recognized over the remaining weighted-average period of 2.5 years. In addition, there was $7.5 million of unrecognized compensation expense related to unvested 2020 and 2021 performance-based PSUs, which will be recognized over the remaining requisite service period of 1.5 years if achievement of the performance obligation becomes probable. Unrecognized compensation expense will be adjusted for actual forfeitures.

As of June 30, 2021, 3.5 million shares were available for issuance under stockholder-approved equity plans.

Stock Options

The following table summarizes stock options outstanding as of December 31, 2020 and June 30, 2021 and the changes that occurred during the six months ended June 30, 2021:

	Number of Stock Options (in thousands)	Weighted Avg. Exercise Price (per share)	Weighted Avg. Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Stock options outstanding, December 31, 2020	**2,718**	**$ 21.17**	**2.9**	**$ —**
Stock options exercised	(215)	$ 16.53		588
Stock options expired	(117)	$ 23.37		17
Stock options outstanding, June 30, 2021	**2,386**	**$ 21.47**	**2.4**	**$ 4,721**
Stock options exercisable, June 30, 2021	**2,386**	**$ 21.47**	**2.4**	**$ 4,721**

As of June 30, 2021, there was no unrecognized compensation expense related to stock options as all awards vested in prior periods.

There were no stock options granted during the six months ended June 30, 2021 or 2020. All of the options were previously issued at exercise prices that approximated fair market value at the date of grant.

The aggregate intrinsic value of stock options represents the total pre-tax intrinsic value (the difference between ADTRAN's closing stock price on the last trading day of the quarter and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 30, 2021. The amount of aggregate intrinsic value was $4.7 million as of June 30, 2021 and will change based on the fair market value of ADTRAN's stock. The total pre-tax intrinsic value of options exercised during the six months ended June 30, 2021 was $0.6 million.

6. INVESTMENTS

Debt Securities and Other Investments

The following debt securities and other investments were included on the Condensed Consolidated Balance Sheet and recorded at fair value:

	As of June 30, 2021			
	Amortized	Gross Unrealized		Fair
(In thousands)	Cost	Gains	Losses	Value
Corporate bonds	$ 14,954	$ 53	$ (6)	$ 15,001
Municipal fixed-rate bonds	2,523	15	(1)	2,537
Asset-backed bonds	3,983	20	(2)	4,001
Mortgage/Agency-backed bonds	11,004	50	(15)	11,039
U.S. government bonds	10,777	51	(5)	10,823
Foreign government bonds	546	1	(1)	546
Other	533	—	—	533
Available-for-sale debt securities held at fair value	**$ 44,320**	**$ 190**	**$ (30)**	**$ 44,480**

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	As of December 31, 2020			
Corporate bonds	$ 11,762	$ 123	$ —	$ 11,885
Municipal fixed-rate bonds	2,854	30	—	2,884
Asset-backed bonds	6,634	74	—	6,708
Mortgage/Agency-backed bonds	11,536	114	(6)	11,644
U.S. government bonds	9,763	112	—	9,875
Foreign government bonds	1,334	4	(1)	1,337
Commercial Paper	250	—	—	250
Other	533	—	—	533
Available-for-sale debt securities held at fair value	**$ 44,666**	**$ 457**	**$ (7)**	**$ 45,116**

The contractual maturities related to debt securities and other investments were as follows:

(In thousands)	Corporate bonds	Municipal fixed-rate bonds	Asset-backed bonds	Mortgage/ Agency-backed bonds	U.S. government bonds	Foreign government bonds	Other
	As of June 30, 2021						
Less than one year	$ 436	$ 529	$ 1	$ 254	$ 735	$ —	$ 533
One to two years	4,575	496	—	1,865	7,240	—	—
Two to three years	7,518	1,103	50	1,199	1,188	546	—
Three to five years	2,472	409	1,749	165	1,660	—	—
Five to ten years	—	—	866	2,213	—	—	—
More than ten years	—	—	1,335	5,343	—	—	—
Total	**$ 15,001**	**$ 2,537**	**$ 4,001**	**$ 11,039**	**$ 10,823**	**$ 546**	**$ 533**

Actual maturities may differ from contractual maturities as some borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Realized gains and losses on sales of debt securities are computed under the specific identification method. The following table presents the gross realized gains and losses related to our debt securities:

(In thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Gross realized gain on debt securities	$ 97	$ 190	$ 184	$ 233
Gross realized loss on debt securities	(20)	(19)	(36)	(39)
Total gain recognized, net	**$ 77**	**$ 171**	**$ 148**	**$ 194**

No allowance for credit loss was recorded for the six months ended June 30, 2021 or 2020 related to available-for-sale debt securities. The Company's investment policy provides limitations for issuer concentration, which limits, at the time of purchase, the concentration in any one issuer to 5% of the market value of our total investment portfolio. The Company did not purchase any available-for-sale debt security with credit deterioration during the six months ended June 30, 2021.

Marketable Equity Securities

Our marketable equity securities consist of publicly traded stock, interests in funds and certain other investments measured at fair value or cost (where appropriate).

In March 2019, an outstanding note receivable of $4.3 million owed to the Company was repaid and reissued in the form of debt and equity. Of the outstanding $4.3 million, $3.4 million was issued as an equity investment. The Company elected to record this equity investment that does not have a readily determinable fair value using the measurement alternative. Under the measurement alternative, equity investments that do not have a readily determinable fair value can be recorded at cost less impairment, if any, adjusted for observable price changes for an identical or similar investment. During the year ended December 31, 2020, impairment charges totaling $2.6 million were recorded related to this equity investment, which was included in net investment gain (loss) on the Condensed Consolidated Statement of Income (Loss). As a result the carrying value of this investment was $0.8 million as of June 30, 2021 and December 31, 2020. The remaining amount, $0.9 million of the original $4.3 million note receivable, was reissued as a new note receivable, which is included in long-term investments on the Condensed Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020. No impairment charge was recognized related to the note receivable as it is a secured loan.

Realized and unrealized gains and losses related to marketable equity securities were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2021	2020	2021	2020
Realized gain (loss) on equity securities sold	$ (79)	$ 328	$ (55)	$ (2,108)
Unrealized gain on equity securities held	2,011	9,353	2,912	889
Total gain (loss) recognized, net	**$ 1,932**	**$ 9,681**	**$ 2,857**	**$ (1,219)**

U.S. GAAP establishes a three-level valuation hierarchy based upon observable and unobservable inputs for fair value measurement of financial instruments:

- Level 1 – Observable outputs; values based on unadjusted quoted prices for identical assets or liabilities in an active market;
- Level 2 – Significant inputs that are observable; values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly;
- Level 3 – Significant unobservable inputs; values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs could include information supplied by investees.

The Company's cash equivalents and investments held at fair value are categorized into this hierarchy as follows:

		Fair Value Measurements as of June 30, 2021 Using		
(In thousands)	Fair Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents				
Money market funds	$ 615	$ 615	$ —	$ —
Commercial paper	1,250	—	1,250	—
Available-for-sale debt securities				
Corporate bonds	15,001	—	15,001	—
Municipal fixed-rate bonds	2,537	—	2,537	—
Asset-backed bonds	4,001	—	4,001	—
Mortgage/Agency-backed bonds	11,039	—	11,039	—
U.S. government bonds	10,823	10,823	—	—
Foreign government securities	546	—	546	—
Other	533	—	—	533
Marketable equity securities				
Marketable equity securities – various industries	12,057	12,057	—	—
Deferred compensation plan assets	25,917	25,917	—	—
Other investments	1,400	1,400	—	—
Total	**$ 85,719**	**$ 50,812**	**$ 34,374**	**$ 533**

(In thousands)	Fair Value	Fair Value Measurements as of December 31, 2020 Using Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents				
Money market funds	$ 497	$ 497	$ —	$ —
U.S. government bonds	350	350	—	—
Available-for-sale debt securities				
Corporate bonds	11,885	—	11,885	—
Municipal fixed-rate bonds	2,884	—	2,884	—
Asset-backed bonds	6,708	—	6,708	—
Mortgage/Agency-backed bonds	11,644	—	11,644	—
U.S. government bonds	9,875	9,875	—	—
Foreign government bonds	1,337	—	1,337	—
Commercial paper	250	—	250	—
Other	533	—	—	533
Marketable equity securities				
Marketable equity securities – various industries	10,963	10,963	—	—
Deferred compensation plan assets	23,891	23,891	—	—
Other investments	1,400	1,400	—	—
Total	**$ 82,217**	**$ 46,976**	**$ 34,708**	**$ 533**

The fair value of our Level 2 securities is calculated using a weighted average market price for each security. Market prices are obtained from a variety of industry standard data providers, large financial institutions and other third-party sources. These multiple market prices are used as inputs into a distribution-curve-based algorithm to determine the daily market value of each security.

The fair value of Level 3 securities is calculated based on unobservable inputs. Quantitative information with respect to unobservable inputs consists of third-party valuations performed in accordance with ASC 820 – *Fair Value Measurement.* Inputs used in preparing the third-party valuation included the following assumptions, among others: estimated discount rates and fair market yields.

7. INVENTORY

Inventory consisted of the following:

(In thousands)	As of June 30, 2021	As of December 31, 2020
Raw materials	$ 52,257	$ 47,026
Work in process	1,874	776
Finished goods	64,881	77,655
Total inventory, net	**$ 119,012**	**$ 125,457**

Inventory reserves are established for estimated excess and obsolete inventory equal to the difference between the cost of the inventory and the estimated net realizable value of the inventory based on estimated reserve percentages, which consider historical usage, known trends, inventory age and market conditions. As of June 30, 2021 and December 31, 2020, inventory reserves were $42.7 million and $39.6 million, respectively.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

(In thousands)	As of June 30, 2021	As of December 31, 2020
Land	$ 4,575	$ 4,575
Building and land improvements	34,961	35,142
Building	68,161	68,169
Furniture and fixtures	19,936	19,965
Computer hardware and software	71,262	70,942
Engineering and other equipment	134,090	132,920
Total property, plant and equipment	**332,985**	**331,713**
Less: accumulated depreciation	**$ (274,715)**	**$ (269,314)**
Total property, plant and equipment, net	**$ 58,270**	**$ 62,399**

Long-lived assets used in operations are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and the undiscounted cash flows estimated to be generated by the asset are less than the asset's carrying value. Due to the current economic environment, particularly related to COVID-19, the Company assessed impairment triggers related to long-lived assets during the second quarters of 2021 and 2020. Based on this assessment, no triggers occurred to perform an impairment test, and no impairment losses of long-lived assets were recorded for the three or six months ended June 30, 2021 or 2020.

Depreciation expense was $3.0 million for each of the three months ended June 30, 2021 and 2020 and $6.1 million and $6.0 million for the six months ended June 30, 2021 and 2020, respectively, which is recorded in cost of revenue, selling, general and administrative expenses and research and development expenses in the Condensed Consolidated Statements of Income (Loss).

9. GOODWILL

Goodwill was $7.0 million as of June 30, 2021 and December 31, 2020, of which $6.6 million and $0.4 million was allocated to our Network Solutions and Services & Support reportable segments, respectively.

The Company evaluates the carrying value of goodwill during the fourth quarter of each year and between annual evaluations if events occur or circumstances change that could more likely than not reduce the fair value of the reporting unit below its carrying amount. We assess qualitative factors to determine whether the fair value of the reporting unit to which the goodwill is assigned is less than its carrying amount and recognize an impairment charge for the amount by which the carrying value exceeds the fair value of the reporting unit. Due to the current economic environment, particularly related to COVID-19, the Company performed a triggering event assessment during the second quarters of 2021 and 2020, in which no triggers were identified. Therefore, no interim impairment test of goodwill was performed as of June 30, 2021 or 2020, and no impairment of goodwill was recorded during the three or six months ended June 30, 2021 or 2020.

10. INTANGIBLE ASSETS

Intangible assets consisted of the following:

	As of June 30, 2021			As of December 31, 2020		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	$ 20,985	$ (9,030)	$ 11,955	$ 21,123	$ (8,055)	$ 13,068
Developed technology	8,200	(3,114)	5,086	8,200	(2,546)	5,654
Licensed technology	5,900	(2,158)	3,742	5,900	(1,830)	4,070
Supplier relationships	—	—	—	2,800	(2,800)	—
Licensing agreements	560	(189)	371	560	(152)	408
Patents	500	(329)	171	500	(294)	206
Trade names	210	(181)	29	210	(146)	64
Total	**$ 36,355**	**$ (15,001)**	**$ 21,354**	**$ 39,293**	**$ (15,823)**	**$ 23,470**

The Company evaluates the carrying value of intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and the undiscounted cash flows estimated to be generated by the asset are less than the asset's carrying value. Due to the current economic environment, particularly related to COVID-19, the Company assessed impairment triggers related to intangible assets during the second quarters of 2021 and 2020. Based on this assessment, no triggers occurred that required us to perform an impairment test, and no impairment losses of intangible assets were recorded for the three and six months ended June 30, 2021 or 2020.

Amortization expense was $1.0 million in each of the three months ended June 30, 2021 and 2020 and $2.1 million and $2.4 million for the six months ended June 30, 2021 and 2020, respectively, and was included in cost of revenue, selling, general and administrative expenses and research and development expenses in the Condensed Consolidated Statements of Income (Loss).

Estimated future amortization expense of intangible assets was as follows:

(In thousands)		**As of June 30, 2021**
2021	$	2,028
2022		3,485
2023		3,333
2024		3,238
2025		3,029
Thereafter		6,241
Total	**$**	**21,354**

11. LEASES

Net Investment in Sales-Type Leases

We are the lessor in sales-type lease arrangements for network equipment, which consisted of the following:

(In thousands)		**As of June 30, 2021**		**As of December 31, 2020**
Current minimum lease payments receivable(1)	$	103	$	702
Non-current minimum lease payments receivable(2)		13		347
Total minimum lease payments receivable		**116**		**1,049**
Less: Current unearned revenue		60		218
Less: Non-current unearned revenue		2		50
Net investment in sales-type leases	**$**	**54**	**$**	**781**

(1) Included in other receivables on the Condensed Consolidated Balance Sheets.
(2) Included in other assets on the Condensed Consolidated Balance Sheets.

12. REVOLVING CREDIT AGREEMENT

On November 4, 2020, the Company, as borrower, entered into a Revolving Credit and Security Agreement and related Promissory Note (together, the "Revolving Credit Agreement") with Cadence Bank, N.A., as lender (the "Lender"). The Revolving Credit Agreement provides the Company with a new $10.0 million secured revolving credit facility. Loans under the Revolving Credit Agreement will bear interest at a rate equal to 1.50% over the screen rate as obtained by Reuter's, Bloomberg or another commercially available source as may be designated by the Lender from time to time; provided, however, that in no event shall the applicable rate of interest under the Revolving Credit Agreement be less than 1.50% per annum. Such loans are secured by all of the cash, securities, securities entitlements and investment property in a certain bank account, as outlined in the Revolving Credit Agreement, at a maximum loan-to-value ratio of 75% determined by dividing the full commitment amount under the Revolving Credit Agreement on the date of testing, determined by the Lender each fiscal quarter, by the market value of the collateral. The Revolving Credit Agreement matures on November 4, 2021, subject to earlier termination upon the occurrence of certain events of default. The Company had not made any draws under the Revolving Credit Agreement as of June 30, 2021.

13. ALABAMA STATE INDUSTRIAL DEVELOPMENT AUTHORITY FINANCING AND ECONOMIC INCENTIVES

In conjunction with the 1995 expansion of our Huntsville, Alabama facility, we were approved for participation in an incentive program offered by the State of Alabama Industrial Development Authority (the "Authority"). Pursuant to the program, in January 1995, the Authority issued $20.0 million of its taxable revenue bonds (the "Taxable Revenue Bonds") and loaned the proceeds from the sale of the Taxable Revenue Bonds to the Company. Further advances on the Taxable Revenue Bonds were made by the Authority, bringing the total amount to $50.0 million. The Taxable Revenue Bonds bore interest, payable monthly with an interest rate of 2% per annum. The Taxable Revenue Bonds aggregate principal amount of $24.6 million matured on January 1, 2020 and was repaid in full on January 2, 2020, using the funds held in a certificate of deposit by the Company.

14. STOCKHOLDERS' EQUITY

Stock Repurchase Program

Since 1997, the Company's Board of Directors has approved multiple share repurchase programs that have authorized repurchases of its common stock, which are implemented through open market or private purchases from time to time as conditions warrant. During the six months ended June 30, 2021, we did not repurchase any shares of our common stock. As of June 30, 2021, we had the authority to purchase an additional 2.5 million shares of our common stock under the current authorization of up to 5.0 million shares.

Accumulated Other Comprehensive Income (Loss)

The following tables present the changes in accumulated other comprehensive loss, net of tax, by component:

	Three Months Ended June 30, 2021				
(In thousands)	**Unrealized Gains (Losses) on Available-for-Sale Securities**	**Defined Benefit Plan Adjustments**	**Foreign Currency Adjustments**	**ASU 2018-02 Adoption**	**Total**
As of March 31, 2021	**$ (160)**	**$ (9,522)**	**$ (4,298)**	**$ 385**	**$ (13,595)**
Other comprehensive income before reclassifications	(272)	—	338	—	**66**
Amounts reclassified from accumulated other comprehensive income	177	212	—	—	**389**
Net current period other comprehensive income	(95)	212	338	—	**455**
As of June 30, 2021	**$ (255)**	**$ (9,310)**	**$ (3,960)**	**$ 385**	**$ (13,140)**

	Three Months Ended June 30, 2020				
(In thousands)	**Unrealized Gains (Losses) on Available-for-Sale Securities**	**Defined Benefit Plan Adjustments**	**Foreign Currency Adjustments**	**ASU 2018-02 Adoption**	**Total**
As of March 31, 2020	**$ (167)**	**$ (9,085)**	**$ (8,942)**	**$ 385**	**$ (17,809)**
Other comprehensive income before reclassifications	881	—	1,899	—	**2,780**
Amounts reclassified from accumulated other comprehensive income (loss)	(508)	191	—	—	**(317)**
Net current period other comprehensive income	373	191	1,899	—	**2,463**
As of June 30, 2020	**$ 206**	**$ (8,894)**	**$ (7,043)**	**$ 385**	**$ (15,346)**

(In thousands)	Six Months Ended June 30, 2021 Unrealized Gains (Losses) on Available-for-Sale Securities	Defined Benefit Plan Adjustments	Foreign Currency Adjustments	ASU 2018-02 Adoption	Total
As of December 31, 2020	**$ 32**	**$ (9,621)**	**$ (2,435)**	**$ 385**	**$ (11,639)**
Other comprehensive income (loss) before reclassifications	(329)	—	(1,525)	—	(1,854)
Amounts reclassified from accumulated other comprehensive income	42	311	—	—	353
Net current period other comprehensive income (loss)	(287)	311	(1,525)	—	(1,501)
As of June 30, 2021	**$ (255)**	**$ (9,310)**	**$ (3,960)**	**$ 385**	**$ (13,140)**

(In thousands)	Six Months Ended June 30, 2020 Unrealized Gains (Losses) on Available-for-Sale Securities	Defined Benefit Plan Adjustments	Foreign Currency Adjustments	ASU 2018-02 Adoption	Total
As of December 31, 2019	**$ (284)**	**$ (9,226)**	**$ (7,292)**	**$ 385**	**$ (16,417)**
Other comprehensive income (loss) before reclassifications	(50)	—	249	—	199
Amounts reclassified from accumulated other comprehensive income (loss)	540	332	—	—	872
Amounts reclassified to retained earnings	—	—	—	—	—
Net current period other comprehensive income (loss)	490	332	249	—	1,071
As of June 30, 2020	**$ 206**	**$ (8,894)**	**$ (7,043)**	**$ 385**	**$ (15,346)**

The following tables present the details of reclassifications out of accumulated other comprehensive income (loss):

(In thousands)	Three Months Ended June 30, 2021 Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Statement Where Net Income Is Presented
Unrealized gain (loss) on available-for-sale securities:		
Net realized loss on sales of securities	$ (233)	Net investment gain (loss)
Defined benefit plan adjustments – actuarial losses	(307)	(1)
Total reclassifications for the period, before tax	**(540)**	
Tax benefit	151	
Total reclassifications for the period, net of tax	**$ (389)**	

(1) A part of the computation of net periodic pension cost, which is included in other income (expense), net in the Condensed Consolidated Statements of Income (Loss).

(In thousands)	Three Months Ended June 30, 2020 — Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Statement Where Net Income Is Presented
Unrealized gain (loss) on available-for-sale securities:		
Net realized gain on sales of securities	$ 686	Net investment gain (loss)
Defined benefit plan adjustments – actuarial losses	(277)	(1)
Total reclassifications for the period, before tax	**409**	
Tax expense	(92)	
Total reclassifications for the period, net of tax	**$ 317**	

(1) A part of the computation of net periodic pension cost, which is included in other income (expense), net in the Condensed Consolidated Statements of Income (Loss).

(In thousands)	Six Months Ended June 30, 2021 — Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Statement Where Net Income Is Presented
Unrealized gain (loss) on available-for-sale securities:		
Net realized loss on sales of securities	$ (55)	Net investment gain (loss)
Defined benefit plan adjustments – actuarial losses	(451)	(1)
Total reclassifications for the period, before tax	**(506)**	
Tax benefit	153	
Total reclassifications for the period, net of tax	**$ (353)**	

(1) A part of the computation of net periodic pension cost, which is included in other income (expense), net in the Condensed Consolidated Statements of Income (Loss).

(In thousands)	Six Months Ended June 30, 2020 — Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Statement Where Net Income Is Presented
Unrealized gain (loss) on available-for-sale securities:		
Net realized loss on sales of securities	$ (730)	Net investment gain (loss)
Defined benefit plan adjustments – actuarial losses	(481)	(1)
Total reclassifications for the period, before tax	**(1,211)**	
Tax benefit	339	
Total reclassifications for the period, net of tax	**$ (872)**	

(1) A part of the computation of net periodic pension cost, which is included in other income (expense), net in the Condensed Consolidated Statements of Income (Loss).

The following tables present the tax effects related to the change in each component of other comprehensive income (loss):

(In thousands)	Three Months Ended June 30, 2021 Before-Tax Amount	Three Months Ended June 30, 2021 Tax (Expense) Benefit	Three Months Ended June 30, 2021 Net-of-Tax Amount	Three Months Ended June 30, 2020 Before-Tax Amount	Three Months Ended June 30, 2020 Tax (Expense) Benefit	Three Months Ended June 30, 2020 Net-of-Tax Amount
Unrealized gain (loss) on available-for-sale securities	$ (358)	$ 86	$ (272)	$ 1,191	$ (310)	$ 881
Reclassification adjustment for amounts related to available-for-sale investments included in net income (loss)	233	(56)	177	(686)	178	(508)
Reclassification adjustment for amounts related to defined benefit plan adjustments included in net income (loss)	307	(95)	212	277	(86)	191
Foreign currency translation adjustment	338	—	338	1,899	—	1,899
Total Other Comprehensive Income	**$ 520**	**$ (65)**	**$ 455**	**$ 2,681**	**$ (218)**	**$ 2,463**

(In thousands)	Six Months Ended June 30, 2021 Before-Tax Amount	Six Months Ended June 30, 2021 Tax (Expense) Benefit	Six Months Ended June 30, 2021 Net-of-Tax Amount	Six Months Ended June 30, 2020 Before-Tax Amount	Six Months Ended June 30, 2020 Tax (Expense) Benefit	Six Months Ended June 30, 2020 Net-of-Tax Amount
Unrealized gain (loss) on available-for-sale securities	$ (433)	$ 104	$ (329)	$ (68)	$ 18	$ (50)
Reclassification adjustment for amounts related to available-for-sale investments included in net income	55	(13)	42	730	(190)	540
Reclassification adjustment for amounts related to defined benefit plan adjustments included in net income	451	(140)	311	481	(149)	332
Foreign currency translation adjustment	(1,525)	—	(1,525)	249	—	249
Total Other Comprehensive Income (Loss)	**$ (1,452)**	**$ (49)**	**$ (1,501)**	**$ 1,392**	**$ (321)**	**$ 1,071**

15. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is as follows:

(In thousands, except per share amounts)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Numerator				
Net income (loss)	$ 5,086	$ 752	$ 5,982	$ (9,217)
Denominator				
Weighted average number of shares – basic	48,449	47,958	48,393	47,957
Effect of dilutive securities				
PSUs, RSUs and restricted stock	816	296	722	—
Stock options	161	—	110	—
Weighted average number of shares – diluted	49,426	48,254	49,225	47,957
Earnings (loss) per share – basic	$ 0.10	$ 0.02	$ 0.12	$ (0.19)
Earnings (loss) per share – diluted	$ 0.10	$ 0.02	$ 0.12	$ (0.19)

For the three months ended June 30, 2021 and 2020, 0.4 million and 1.9 million stock options, respectively, and for the six months ended June 30, 2021 and 2020, 0.6 million and 2.3 million stock options, respectively, were outstanding but were not included in the computation of diluted earnings per share. These stock options were excluded because their exercise prices were greater than the average market price of the common shares during the applicable period, making them anti-dilutive under the treasury stock method.

For the three months ended June 30, 2021 and 2020, one thousand and fifteen thousand shares, respectively, and for the six months ended June 30, 2021 and 2020, three thousand and 0.1 million shares, respectively, of unvested PSUs, RSUs and restricted stock were excluded from the calculation of diluted earnings per share due to their anti-dilutive effect.

16. SEGMENT INFORMATION

The chief operating decision maker regularly reviews the Company's financial performance based on two reportable segments: (1) Network Solutions and (2) Services & Support. Network Solutions includes hardware and software products and next-generation virtualized solutions used in service provider or business networks, as well as prior-generation products. Services & Support includes a portfolio of maintenance, network installation and solution integration services, which include hosted cloud services and subscription services.

The performance of these segments is evaluated based on gross profit; therefore, selling, general and administrative expenses, research and development expenses, interest and dividend income, interest expense, net investment gain (loss), other income (expense), net and income tax benefit (expense) are reported on a Company-wide basis only. There is no inter-segment revenue. Asset information by reportable segment is not produced and, therefore, is not reported.

The following tables present information about the revenue and gross profit of our reportable segments:

	Three Months Ended			
	June 30, 2021		June 30, 2020	
(In thousands)	Revenue	Gross Profit	Revenue	Gross Profit
Network Solutions	$ 125,449	$ 55,435	$ 111,323	$ 47,252
Services & Support	17,783	7,233	17,392	6,220
Total	**$ 143,232**	**$ 62,668**	**$ 128,715**	**$ 53,472**

	Six Months Ended			
	June 30, 2021		June 30, 2020	
(In thousands)	Revenue	Gross Profit	Revenue	Gross Profit
Network Solutions	$ 239,258	$ 104,243	$ 208,695	$ 92,998
Services & Support	31,507	12,026	34,543	12,074
Total	**$ 270,765**	**$ 116,269**	**$ 243,238**	**$ 105,072**

Revenue by Category

In addition to our reportable segments, revenue is also reported for the following three categories – Access & Aggregation, Subscriber Solutions & Experience and Traditional & Other Products.

The table below presents revenue information by category:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2021	2020	2021	2020
Access & Aggregation	$ 90,964	$ 82,776	$ 160,038	$ 148,742
Subscriber Solutions & Experience	47,810	40,393	102,379	82,572
Traditional & Other Products	4,458	5,546	8,348	11,924
Total	**$ 143,232**	**$ 128,715**	**$ 270,765**	**$ 243,238**

Revenue by Geographic Area

The following table presents revenue information by geographic area:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2021	2020	2021	2020
United States	$ 94,656	$ 84,458	$ 181,141	$ 163,449
International	48,576	44,257	89,624	79,789
Total	**$ 143,232**	**$ 128,715**	**$ 270,765**	**$ 243,238**

17. LIABILITY FOR WARRANTY RETURNS

Our products generally include warranties of 90 days to five years for product defects. We accrue for warranty returns at the time of product shipment based on our historical return rate and estimate of the cost to repair or replace the defective products. We engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers. The increasing complexity of our products may cause warranty incidences, when they arise, to be more costly. Estimates regarding future warranty obligations may change due to product failure rates, material usage and other rework costs incurred in correcting a product failure. In addition, from time to time, specific warranty accruals may be recorded if unforeseen problems arise. Should our actual experience relative to these factors be worse than our estimates, we will be required to record additional warranty expense. The liability for warranty obligations totaled $6.0 million and $7.1 million as of June 30, 2021 and December 31, 2020, respectively, and is included in accrued expenses and other liabilities in the Condensed Consolidated Balance Sheets. During the three and six months ended June 30, 2021 and 2020, we had a reversal of prior provisions related to warranty expirations, the impact of which is reflected in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2021	2020	2021	2020
Balance at beginning of period	$ 6,472	$ 7,635	$ 7,146	$ 8,394
Plus: Amounts charged to cost and expenses	11	393	(220)	338
Less: Deductions	(486)	(734)	(929)	(1,438)
Balance at end of period	**$ 5,997**	**$ 7,294**	**$ 5,997**	**$ 7,294**

18. COMMITMENTS AND CONTINGENCIES

Shareholder Derivative Lawsuit

On March 31, 2020, a shareholder derivative suit, captioned Johnson (Derivatively on behalf of ADTRAN) v. Stanton, et al., Case No. 5:20-cv-00447, was filed in the U.S. District Court for the Northern District of Alabama against two of the Company’s current executive officers, one of its former executive officers, and certain current and former members of its Board of Directors. The derivative suit alleges, among other things, that the defendants made or caused the Company to make materially false and misleading statements regarding, and/or failed to disclose material adverse facts about, the Company’s business, operations and prospects, specifically relating to the Company’s internal control over financial reporting, excess and obsolete inventory reserves, financial results and demand from certain customers. The case was temporarily stayed pending an order on the defendants’ motion to dismiss in a separate securities class action case that included similar factual allegations, Burbridge v. ADTRAN, Inc., et al., Case No. 5:20-cv-00050-LCB (N.D. Ala.). The Burbridge case was dismissed on March 31, 2021, and the time to appeal the dismissal has expired, such that the dismissal is now final. Following the dismissal, the plaintiff in the shareholder derivative suit sent a demand letter dated June 29, 2021 to ADTRAN’s Board of Directors. The letter contains similar allegations to those made in the plaintiff’s filed complaint and in the now dismissed securities class action, and it demands, among other things, that the Board commence an investigation into the alleged wrongdoing. We expect that the derivative suit will remain stayed pending the Board’s response to the demand. At this time, we are unable to predict the outcome of or estimate the possible loss or range of loss, if any, associated with the derivative lawsuit or the demand letter.

Other Legal Matters

In addition to the litigation described above, from time to time we are subject to or otherwise involved in various lawsuits, claims, investigations and legal proceedings that arise out of or are incidental to the conduct of our business (collectively, “Legal Matters”), including those relating to patent rights, employment matters, regulatory compliance matters, stockholder claims, and contractual and other commercial disputes. Such Legal Matters, even if not meritorious, could result in the expenditure of significant financial and managerial resources. Additionally, an unfavorable outcome in any legal matter, including in a patent dispute, could require the Company to pay damages, entitle claimants to other relief, such as royalties, or could prevent the Company from selling some of its products in certain jurisdictions. While the Company cannot predict with certainty the results of the Legal Matters in which it is currently involved, the Company does not expect that the ultimate outcome of such Legal Matters will individually or in the aggregate have a material adverse effect on its business, results of operations, financial condition or cash flows.

Performance Bonds

Certain contracts, customers and jurisdictions in which we do business require us to provide various guarantees of performance such as bid bonds, performance bonds and customs bonds. As of June 30, 2021 and December 31, 2020, we had commitments related to these bonds totaling $21.2 million and $15.2 million, respectively, which expire at various dates through August 2024. Although the triggering events vary from contract to contract, in general we would only be liable for the amount of these guarantees in the event of default under each contract, the probability of which we believe is remote.

In June 2020, the Company entered into a letter of credit with a bank to guarantee performance obligations under a contract with a certain customer. The obligations under this customer contract will be performed over multiple years. We reached the maximum value of our minimum collateral requirement of $15.0 million during the three months ended March 31, 2021 as the Company reached certain milestones through the first quarter of 2021 as outlined in the customer contract. The letter of credit was secured by a pledge of a portion of the Company’s fixed-income securities, which totaled $18.2 million as of June 30, 2021, of which less than $0.1 million is included in restricted cash and $18.2 million is included in long-term investments on the Condensed Consolidated Balance Sheet. This pledged collateral value will fluctuate as the Company changes the mix of the pledged collateral between restricted cash and investments. Any shortfalls in the minimum collateral value are required to be restored by the Company from available cash and cash equivalents, short-term investments and/or long-term investments. The collateral under the letter of credit will be released when all obligations under the customer contract have been met. As of June 30, 2021, the Company was in compliance with all contractual requirements under the letter of credit.

Investment Commitment

We have committed to invest up to an aggregate of $5.0 million in a private equity fund, of which $4.9 million has been invested as of June 30, 2021.

19. RESTRUCTURING

During the second half of 2019, the Company initiated a restructuring plan to realign its expense structure with the reduction in revenue experienced in recent years and overall Company objectives. As part of this restructuring plan, the Company announced plans to reduce its overall operating expenses, both in the U.S. and internationally. Management continued to assess the efficiency of operations during 2020 and the first half of 2021 and, in turn, consolidated locations and personnel, among other things, where possible.

In February 2019, the Company announced the restructuring of a certain portion of its workforce predominantly in Germany, which included the closure of the Company’s office location in Munich, Germany accompanied by relocation or severance benefits for the affected employees. Voluntary early retirement was offered to certain other employees and was announced in March 2019 and again in August 2020.

The cumulative amount of restructuring expenses incurred as of June 30, 2021 for the restructuring plans was $12.5 million.

A reconciliation of the beginning and ending restructuring liability, which is included in accrued wages and benefits in the Condensed Consolidated Balance Sheets is as follows:

(In thousands)	**Three Months Ended June 30, 2021**	**Six Months Ended June 30, 2021**
Balance at beginning of period	$ 2,077	$ 4,186
Plus: Amounts charged to cost and expense	8	309
Less: Amounts paid	(565)	(2,975)
Balance as of June 30, 2021	**$ 1,520**	**$ 1,520**

(In thousands)	For the Year Ended December 31, 2020	
Balance as of December 31, 2019	$	1,568
Plus: Amounts charged to cost and expense		6,229
Less: Amounts paid		(3,611)
Balance as of December 31, 2020	**$**	**4,186**

Restructuring expenses included in the Condensed Consolidated Statements of Income (Loss) were as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
(In thousands)	2021		2020		2021		2020	
Cost of revenue	$	-	$	22	$	15	$	56
Selling, general and administrative expenses		3		489		145		572
Research and development expenses		5		681		149		1,117
Total restructuring expenses	**$**	**8**	**$**	**1,192**	**$**	**309**	**$**	**1,745**

Components of restructuring expense by geographic area were as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
(In thousands)	2021		2020		2021		2020	
United States	$	3	$	1,192	$	212	$	1,743
International		5		—		97		2
Total restructuring expenses	**$**	**8**	**$**	**1,192**	**$**	**309**	**$**	**1,745**

20. SUBSEQUENT EVENTS

On August 4, 2021, we announced that our Board of Directors declared a quarterly cash dividend of $0.09 per common share to be paid to the Company's stockholders of record as of the close of business on August 19, 2021. The payment date will be September 2, 2021 in the aggregate amount of approximately $4.4 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and the related notes that appear in Part I, Item 1 of this document. In addition, the following discussion should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2020, Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Part I, Item 1, Business, and Item 1A, Risk Factors, included in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021 (the "2020 Form 10-K").

This discussion is designed to provide the reader with information that will assist in understanding our condensed consolidated financial statements, the changes in certain key items in those financial statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our condensed consolidated financial statements. See "Cautionary Note Regarding Forward-Looking Statements" on page 3 of this report for a description of important factors that could cause actual results to differ from expected results. See also Part 1, Item 1A, Risk Factors, of the 2020 Form 10-K and Part II, Item 1A, Risk Factors of this Form 10-Q.

OVERVIEW

ADTRAN is a leading global provider of networking and communications platforms, systems and services focused on the broadband access market, serving a diverse domestic and international customer base in multiple countries that includes Tier-1, -2 and -3 service providers, alternative service providers, such as utilities, municipalities and fiber overbuilders, cable/MSOs, SMBs and distributed enterprises. Our innovative solutions and services enable voice, data, video and internet-communications across a variety of network infrastructures and are currently in use by millions worldwide. We support our customers through our direct global sales organization and our distribution networks. Our success depends upon our ability to increase unit volume and market share through the introduction of new products and succeeding generations of products having optimal selling prices and increased functionality as compared to both the prior generation of a product and to the products of competitors in order to gain market share. In order to service our customers and grow revenue, we are continually conducting research and development of new products addressing customer needs and testing those products for the specific requirements of the particular customers. We are focused on being a top global supplier of access infrastructure and related value-added solutions from the cloud edge to the subscriber edge. We offer a broad portfolio of flexible software and hardware network solutions and services that enable service providers to meet today's service demands, while enabling them to transition to the fully-converged, scalable, highly-automated, cloud-controlled voice, data, internet and video network of the future. In addition to our corporate headquarters in Huntsville, Alabama, we have sales and research and development facilities in strategic global locations.

An important part of our strategy is to reduce the cost of each succeeding product generation and to pass on the cost savings achieved to our customers in order to gain market share and/or improve gross margins. As a part of this strategy, we seek to be a high-quality and low-cost provider of products in our markets. Our success to date is attributable in large measure to our ability to design our products initially with a view to their subsequent redesign, allowing both increased functionality and reduced manufacturing costs in each succeeding product generation. This strategy enables us to sell succeeding generations of products to existing customers, while increasing our market share by selling these enhanced products to new customers.

We ended the second quarter of 2021 with a year-over-year revenue increase of 11.3% as compared to the three months ended June 30, 2020, driven by increased shipments to regional service providers in the U.S., alternative network operators in Europe and international Tier-1 customers. During the second quarter of 2021, we had three 10% revenue customers geographically diversified, two U.S. distributors and one international customer. Our year-over-year domestic revenue growth of 12.1% was driven by growth in Tier-3 carrier categories due to additional fiber access deployments in both access equipment and CPE as well as a certain U.S.-based MSO. Internationally, our revenue increased by 9.8% compared to the prior year period, primarily driven by access network builds in the Asia Pacific region, with a focus on Australia, increased shipments to alternative network operators and a Tier-1 operator in Europe. Additionally, fiber access continued to experience revenue growth, and, during 2020 we announced multiple long-term Tier-1 next-generation fiber access deals in Europe and the U.S., positioning us well for the next access network upgrade investment cycle.

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. The SARS-CoV-2 coronavirus (or variants of the SARS-CoV-2 coronavirus, including the Delta variant) continues to spread throughout the U.S. and the world and has resulted in authorities implementing varying measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. Although vaccines have been approved and are being distributed, it cannot be predicted how long it will take before market conditions return to normal and there can be no assurance that the economic recovery will occur or offset the uncertainty and instability triggered by the pandemic. New and potentially more contagious variants of the COVID-19 virus are developing in several countries, including regions in which we have significant operations. The COVID-19 variants could further amplify the impact of the pandemic. While we are unable to accurately predict the full impact that the COVID-19 global pandemic will have on our results of operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, our compliance with these measures has impacted our day-to-day operations and could disrupt our business and operations, as well as that of our key customers, suppliers and other counterparties, for an indefinite period of time. We have experienced some impact to our supply chain given COVID-19 and the related global semiconductor chip shortage, including delays in supply chain deliveries, extended lead times and shortages of some key components, some raw material cost increases and slowdowns at certain production facilities. We have also had to increase our volume of inventory to ensure supply continuity during the pandemic. In addition, we have experienced significant increases in freight-related costs. While throughout the pandemic we have seen increased demand in networking requirements and utilization due to social distancing guidelines issued by governments, as well as COVID-19 related reductions in travel and infrastructure expenses, it is possible that we could experience some slowdown in demand, further supply chain issues and an increased impact from the ongoing semiconductor shortage and shortages of certain other key components as the pandemic continues. If the impacts of this shortage are more severe than we expect, it could result in longer lead times, inventory supply challenges and further increased costs, all of which could result in the deterioration of our results, potentially for a longer period than currently anticipated. To support the health and well-being of our employees, customers, partners and communities, many of our employees are working remotely as of the date of filing this report. However, there is risk that a number of our employees could be infected with COVID-19, including our key personnel. In addition, actions that have been taken and that may be taken by the Company, its customers, suppliers and counterparties in response to the pandemic, including the implementation of alternative work arrangements for certain employees, as well as the impacts to our supply chain, including delays in supply chain deliveries and the related global semiconductor chip shortage, have delayed and may continue to delay the timing of some orders and expected deliveries. Lastly, even after the COVID-19 pandemic has subsided, we may continue to experience adverse impacts to our business as a result of any economic recession that has occurred or may occur in the future as a result of the COVID-19 pandemic.

Among our customers, we made progress with our fiber, fiber-extension, in-home service delivery platforms and cloud services while also continuing to engage in value-added service opportunities that we expect will contribute to sales over the remainder of 2021 and beyond. In addition, we believe that we are at the beginning of a significant investment cycle for fiber deployment and in-home Wi-Fi connectivity driven by technology advancements and regulatory influences. The transition to next-generation network architectures is beginning, and we are seeing demand for our next-generation fiber access and connected home solutions. In 2021, we anticipate that payments to service providers under government funding programs such as the FCC RDOF will begin.

In addition to classifying our operations into two reportable segments, we report revenue across three categories of products and services – (1) Access & Aggregation, (2) Subscriber Solutions & Experience and (3) Traditional & Other Products.

Our Access & Aggregation platforms are used by CSPs to connect their network infrastructure to subscribers. This revenue category includes hardware- and software-based products and services that aggregate and/or originate access technologies. ADTRAN solutions within this category include a wide array of modular or fixed platforms designed to deliver the best technology and economy based on subscriber density and environmental conditions.

Our Subscriber Solutions & Experience portfolio is used by service providers to terminate their infrastructure at the customer's premises while providing an immersive and interactive experience for the subscriber. These solutions include copper and fiber WAN termination, LAN switching, Wi-Fi access, and cloud software services, for both residential and business markets.

Our Traditional & Other Products category generally includes a mix of prior-generation technologies' products and services, as well as other products and services that do not fit within the other revenue categories.

Our operating results have fluctuated, and may continue to fluctuate, on a quarterly basis due to a number of factors, including customer order activity and backlog. A substantial portion of our shipments in any fiscal period relates to orders received and shipped within that fiscal period for customers under agreements containing non-binding purchase commitments. Further, a significant percentage of orders require delivery within a few days. These factors normally result in a varying order backlog and limited order flow visibility. Additionally, backlog levels may vary because of seasonal trends, the timing of customer projects and other factors that affect customer order lead times. Because many of our customers require prompt delivery of products, we are required to maintain sufficient inventory levels to satisfy anticipated customer demand. If near-term demand for our products declines, or if potential sales in any quarter do not occur as anticipated, our financial results could be adversely affected. Operating expenses are relatively fixed in the short term; therefore, a shortfall in quarterly revenues could significantly impact our financial results in a given quarter.

Our operating results may also fluctuate as a result of a number of other factors, including a decline in general economic and market conditions, specifically the decline that initially resulted from the COVID-19 pandemic and that may recur, foreign currency exchange rate movements, increased competition, customer order patterns, changes in product and services mix, timing differences between price decreases and product cost reductions, product warranty returns, expediting costs, tariffs and announcements of new products by us or our competitors. Additionally, maintaining sufficient inventory levels to assure prompt delivery of our products increases the amount of inventory that may become obsolete and increases the risk that the obsolescence of this inventory may have an adverse effect on our business and operating results. Also, not maintaining sufficient inventory levels to assure prompt delivery of our products may cause us to incur expediting costs to meet customer delivery requirements, which may negatively impact our operating results in a given quarter. In recent years, the Company initiated restructuring plans to realign its expense structure with the reduction in revenue experienced and with overall Company objectives. Management assessed the efficiency of our operations and consolidated locations and personnel, among other things, and implemented certain cost savings initiatives, where possible. See Note 19 of the Notes to Condensed Consolidated Financial Statements included in Part 1, Item 1 of this report for additional information on this restructuring.

Our historical financial performance is not necessarily a meaningful indicator of future results, and in general, management expects that our financial results may vary from period to period. Factors that could materially affect our business, financial condition or operating results are included in Part I, Item 1A of the 2020 Form 10-K.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to our critical accounting policies and estimates from those disclosed in our 2020 Form 10-K.

EFFECT OF RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this report for a full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on results of operations and financial condition, which is incorporated herein by reference.

RESULTS OF OPERATIONS – THREE AND SIX MONTHS ENDED JUNE 30, 2021 COMPARED TO THREE AND SIX MONTHS ENDED JUNE 30, 2020

The following table presents selected financial information derived from our Condensed Consolidated Statements of Income (Loss) expressed as a percentage of revenue for the periods indicated. Amounts may not foot due to rounding.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue				
Network Solutions	87.6 %	86.5 %	88.4 %	85.8 %
Services & Support	12.4	13.5	11.6	14.2
Total Revenue	**100.0**	**100.0**	**100.0**	**100.0**
Cost of Revenue				
Network Solutions	48.9	49.8	49.9	47.6
Services & Support	7.4	8.7	7.2	9.2
Total Cost of Revenue	**56.2**	**58.5**	**57.1**	**56.8**
Gross Profit	**43.8**	**41.5**	**42.9**	**43.2**
Selling, general and administrative expenses	21.5	23.9	21.5	23.6
Research and development expenses	19.5	22.3	20.5	24.1
Asset impairments	—	—	—	—
Operating Income (Loss)	**2.7**	**(4.7)**	**1.0**	**(4.5)**
Interest and dividend income	0.2	0.3	0.2	0.3
Interest expense	—	—	—	—
Net investment gain (loss)	1.4	7.7	1.1	(0.4)
Other income (expense), net	—	(1.4)	0.7	(0.3)
Income (Loss) Before Income Taxes	**4.3**	**1.9**	**3.0**	**(4.9)**
Income tax (expense) benefit	(0.8)	(1.3)	(0.8)	1.1
Net Income (Loss)	**3.6** %	**0.6** %	**2.2** %	**(3.8)** %

REVENUE

Our revenue increased 11.3% from $128.7 million for the three months ended June 30, 2020 to $143.2 million for the three months ended June 30, 2021 and increased 11.3% from $243.2 million for the six months ended June 30, 2020 to $270.8 million for the six months ended June 30, 2021. The increase in revenue for the three and six months ended June 30, 2021 was primarily attributable to a $8.2 million and $11.3 million increase in Access & Aggregation revenue, respectively, and a $7.4 million and $19.8 million increase in Subscriber Solutions & Experience revenue, respectively, partially offset by a $1.1 million and $3.6 million decrease in the revenue of our Traditional & Other Products, respectively.

Network Solutions segment revenue increased 12.7% from $111.3 million for the three months ended June 30, 2020 to $125.4 million for the three months ended June 30, 2021 and increased 14.6% from $208.7 million for the six months ended June 30, 2020 to $239.3 million for the six months ended June 30, 2021. The increase in revenue for the three and six months ended June 30, 2021 was due primarily to revenue of Subscriber Solutions & Experience and Access & Aggregation products. The increase in Subscriber Solutions & Experience revenue for the three and six months ended June 30, 2021 was primarily attributable to increased volume of network termination and Fiber CPE. The increase in the Access & Aggregation category for the three and six months ended June 30, 2021 was due to increased volume of fiber access and residential gateways. While we expect that revenue from Traditional & Other Products will continue to decline over time, this revenue may fluctuate and continue for years because of the time required for our customers to transition to newer technologies.

Services & Support segment revenue increased 2.2% from $17.4 million for the three months ended June 30, 2020 to $17.8 million for the three months ended June 30, 2021 and decreased 8.8% from $34.5 million for the six months ended June 30, 2020 to $31.5 million for the six months ended June 30, 2021. The increase in revenue for the three months ended June 30, 2021 was primarily attributable to increased maintenance and managed services. The decrease in revenue for the six months ended June 30, 2021 was primarily attributable to decreased network planning and implementation services partially offset by an increase in maintenance services.

International revenue, which is included in the amounts for both the Network Solutions and Services & Support segments discussed above, increased 9.8% from $44.3 million for the three months ended June 30, 2020 to $48.6 million for the three months ended June 30, 2021 and increased 12.3% from $79.8 million for the six months ended June 30, 2020 to $89.6 million for the six months ended June 30, 2021. International revenue, as a percentage of total revenue, decreased from 34.4% for the three months ended June 30, 2020 to 33.9% for the three months ended June 30, 2021 and increased from 32.8% for the six months ended June 30, 2020 to 33.1% for the six months ended June 30, 2021. The decrease in international revenue as a percentage of total revenue for the three months ended June 30, 2021, was primarily attributable to a reduction in shipments to two international Tier-1 customers. The increase in percentage of international revenue for the six months ended June 30, 2021, was primarily driven by access network builds in the Asia Pacific region with a focus on Australia, increased shipments to alternative network operators in Europe and revenue from a Tier-1 operator in Europe.

Our international revenue is largely focused on broadband infrastructure and is consequently affected by the decisions of our customers as to timing for installation of new technologies, expansion of their networks and/or network upgrades. Our international customers must make these decisions in the regulatory and political environment in which they operate – both nationally and in some instances, regionally – whether of a multi-country region or a more local region within a country. The competitive landscape in certain international markets is also affected by the increased presence of Asian manufacturers that seek to compete aggressively on price. Our revenue and operating income in some international markets can be negatively impacted by a strengthening U.S. dollar. Consequently, while we expect the global trend towards deployment of more robust broadband speeds and access to continue creating additional market opportunities for us, the factors described above may result in negative pressure on revenue and operating income.

COST OF REVENUE

As a percentage of revenue, cost of revenue decreased from 58.5% for the three months ended June 30, 2020 to 56.2% for the three months ended June 30, 2021 and increased from 56.8% for the six months ended June 30, 2020 to 57.1% for the six months ended June 30, 2021. For the three months ended June 30, 2021, the decrease was primarily attributable to changes in customer and product mix and changes in services and support mix. For the six months ended June 30, 2021, the increase was primarily attributable to changes in customer and product mix, a regional revenue shift and the negative impact of supply constraints.

Network Solutions cost of revenue, as a percentage of that segment's revenue, decreased from 57.6% for the three months ended June 30, 2020 to 55.8% for the three months ended June 30, 2021 and increased from 55.4% for the six months ended June 30, 2020 to 56.4% for the six months ended June 30, 2021. The decrease in cost of revenue as a percentage of revenue for the three months ended June 30, 2021 was primarily attributable to changes in customer and product mix and changes in services and support mix. The increase in cost of revenue as a percentage of revenue for the six months ended June 30, 2021 was primarily attributable to changes in customer and product mix, a regional revenue shift, and the negative impact of supply constraints.

An important part of our strategy is to reduce the cost of each succeeding generation of product and then lower the product's selling price based on the cost savings achieved in order to gain market share and/or improve gross margins. This may cause variations in our gross profit percentage due to timing differences between the recognition of cost reductions and the lowering of product selling prices.

Services & Support cost of revenue, as a percentage of that segment's revenue, decreased from 64.2% for the three months ended June 30, 2020 to 59.3% for the three months ended June 30, 2021 and decreased from 65.0% for the six months ended June 30, 2020 to 61.8% for the six months ended June 30, 2021. The decrease in cost of revenue as a percentage of revenue for the three and six months ended June 30, 2021 was primarily attributable to customer mix, changes in services and support mix.

Services & Support revenue is comprised of network planning and implementation, maintenance, support and cloud-based management services, with network planning and implementation being the largest and fastest growing component in the long-term. Compared to our other services, such as maintenance, support and cloud-based management services, our network planning and implementation services typically utilize a higher percentage of internal and subcontracted engineers, professionals and contractors to perform the work for customers. The additional costs incurred to perform these infrastructure and labor-intensive services inherently result in lower average gross margins as compared to maintenance and support services. Within the Services & Support segment, we do expect variability in gross margins from quarter-to-quarter based on the mix of the services recognized.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

As a percentage of revenue, selling, general and administrative expenses decreased from 23.9% for the three months ended June 30, 2020 to 21.5% for the three months ended June 30, 2021 and decreased from 23.6% for the six months ended June 30, 2020 to 21.5% for the six months ended June 30, 2021. Selling, general and administrative expenses as a percentage of revenue will generally fluctuate whenever there is a significant fluctuation in revenue for the periods being compared.

Selling, general and administrative expenses increased 0.2% from $30.8 million for the three months ended June 30, 2020 to $30.9 million for the three months ended June 30, 2021 and increased 1.5% from $57.4 million for the six months ended June 30, 2020 to $58.3 million for the six months ended June 30, 2021. The increase in selling, general and administrative expenses for the three months ended June 30, 2021 was primarily attributable to increased professional and consulting fees, partially offset by the capitalization of certain costs related to our ongoing ERP implementation project. The increase in selling, general and administrative expenses for the six months ended June 30, 2021 was primarily attributable to increased deferred compensation related costs and professional and consulting fees, partially offset by decreases in travel related expense and the capitalization of certain costs related to our ongoing ERP implementation project.

RESEARCH AND DEVELOPMENT EXPENSES

As a percentage of revenue, research and development expenses decreased from 22.3% for the three months ended June 30, 2020 to 19.5% for the three months ended June 30, 2021 and decreased from 24.1% for the six months ended June 30, 2020 to 20.4% for the six months ended June 30, 2021. Research and development expenses as a percentage of revenue will fluctuate whenever there are incremental product development activities or significant fluctuations in revenue for the periods being compared.

Research and development expenses decreased 2.9% from $28.7 million for the three months ended June 30, 2020 to $27.9 million for the three months ended June 30, 2021 and decreased 5.5% from $58.6 million for the six months ended June 30, 2020 to $55.4 million for the six months ended June 30, 2021. The decrease in research and development expenses for the three and six months ended June 30, 2021 was primarily attributable to lower personnel costs which were mainly the result of our restructuring programs, partially offset by increased contract services.

We expect to continue to incur research and development expenses in connection with our new and existing products. We continually evaluate new product opportunities and engage in significant research and product development efforts, which provides for new product development, enhancement of existing products and product cost reductions. We may incur significant research and development expenses prior to the receipt of revenue from a major new product group.

ASSET IMPAIRMENTS

Asset impairments, which were $0.1 million for the six months ended June 30, 2020, related to the abandonment of certain information technology projects in which we had previously capitalized costs. There were no asset impairments recognized during the three months ended June 30, 2020 or June 30, 2021 or for the six months ended June 30, 2021.

INTEREST AND DIVIDEND INCOME

Interest and dividend income remained constant at $0.3 million for the three months ended June 30, 2020 and June 30, 2021 and decreased 21.0% from $0.7 million for the six months ended June 30, 2020 to $0.5 million for the six months ended June 30, 2021. The decrease in interest and dividend income was primarily attributable to a decline in our investment balances as well as a decrease in the rate of return on our investments due to lower interest rates. Our total investments decreased from $93.4 million as of June 30, 2020 to $85.6 million as of June 30, 2021.

INTEREST EXPENSE

Interest expense was less than $0.1 million for each of the three and six months ended June 30, 2021 and 2020. Interest expense during the first half of 2021 was primarily related to our Revolving Credit Agreement that we entered into during the fourth quarter of 2020. Interest expense during the first half of 2020 was primarily related to certain taxable revenue bonds.

NET INVESTMENT GAIN (LOSS)

We recognized a net investment gain of $9.9 million and $2.0 million for the three months ended June 30, 2020 and June 30, 2021, respectively, and a net investment loss of $1.0 million and a net investment gain of $3.0 million for the six months ended June 30, 2020 and June 30, 2021, respectively. The fluctuations in our net investments were primarily attributable to changes in the fair value of our securities recognized during the period. We expect that any future market volatility, whether from COVID-19 or other factors, will result in continued volatility in our investment portfolio. See Note 6 of the Notes to Condensed Consolidated Financial Statements, included in Part I, Item 1 of this report, and “Investing Activities” in “Liquidity and Capital Resources” below for additional information.

OTHER INCOME (EXPENSE), NET

Other income (expense), net, which primarily consisted of gains and losses on foreign currency transactions, improved from expense of $1.8 million for the three months ended June 30, 2020 to income of less than $0.1 million for the three months ended June 30, 2021 and improved from expense of $0.6 million for the six months ended June 30, 2020 to income of $2.0 million for the six months ended June 30, 2021.

INCOME TAX EXPENSE (BENEFIT)

Our effective tax rate decreased from an expense of 68.5% for the three months ended June 30, 2020 to an expense of 18.1% for the three months ended June 30, 2021 and increased from a benefit of 22.9% for the six months ended June 30, 2020 to an expense of 26.7% for the six months ended June 30, 2021. The change in the effective tax rate for the three months ended June 30, 2021 was impacted by tax expense in our international operations and additional changes in the valuation allowance related to our domestic operations. The change in the effective tax rate for the six months ended June 30, 2021 was primarily driven by a tax benefit of $7.4 million recognized during the six months ended June 30, 2020 as a result of the enactment of the CARES Act in March 2020. See Note 4 of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this report for additional information.

NET INCOME (LOSS)

As a result of the above factors, net income (loss) increased from net income of $0.8 million for the three months ended June 30, 2020 to net income of $5.1 million for the three months ended June 30, 2021 and improved from a net loss of $9.2 million for the six months ended June 30, 2020 to net income of $6.0 million for the six months ended June 30, 2021.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We have historically financed, and we currently expect to continue to finance, our ongoing business with existing cash, investments and cash flow from operations. We have used, and expect to continue to use, existing cash, investments and cash generated from operations for working capital, business acquisitions, purchases of treasury stock, shareholder dividends and other general corporate purposes, including product development activities to enhance our existing products and develop new products, expansion of our sales and marketing activities and capital expenditures. We believe that our cash and cash equivalents, investments and cash generated from operations to be adequate to meet our operating and capital needs for at least the next 12 months.

As of June 30, 2021, cash on hand was $69.9 million and short-term investments were $2.8 million, which resulted in available short-term liquidity of $72.7 million, of which $45.8 million was held by our foreign subsidiaries. As of December 31, 2020, cash on hand was $60.2 million and short-term investments were $3.1 million, which resulted in available short-term liquidity of $63.3 million, of which $49.7 million was held by our foreign subsidiaries. Generally, we intend to permanently reinvest funds held outside the U.S., except to the extent that any of these funds can be repatriated without withholding tax.

During the fourth quarter of 2020, the Company entered into a Revolving Credit and Security Agreement and related Promissory Note (together, the “Revolving Credit Agreement”) with Cadence Bank, N.A., as lender (the “Lender”). The Revolving Credit Agreement provides the Company with a new $10.0 million secured revolving credit facility. Loans under the Revolving Credit Agreement will bear interest at a rate equal to 1.50% over the screen rate as obtained by Reuter’s, Bloomberg or another commercially available source as may be designated by the Lender from time to time; provided, however, that in no event shall the applicable rate of interest under the Revolving Credit Agreement be less than 1.50% per annum. Such loans are secured by all of the cash, securities, securities entitlements and investment property in a certain bank account, as outlined in the Revolving Credit Agreement, at a maximum loan-to-value ratio of 75% determined by dividing the full commitment amount under the Revolving Credit Agreement on the date of testing, determined by the Lender each fiscal quarter, by the market value of the collateral. Based on the market value of the collateral at June 30, 2021, the Company had $10.0 million of loan availability under the revolving credit facility as of such date. The Revolving Credit Agreement matures on November 4, 2021, subject to earlier termination upon the occurrence of certain events of default. The Company entered into the Revolving Credit Agreement in order to increase the flexibility and management of its short-term liquidity. To date, the Company has not made any draws under the Revolving Credit Agreement. The Company agreed to certain negative covenants that are customary for credit arrangements of this type, including, among other things, restrictions on the Company’s ability to enter into mergers, acquisitions or other business combination transactions, grant liens or suffer a material adverse change in the condition or affairs (financial or otherwise) of the Company, which negative covenants are subject to certain exceptions. The Company must be in compliance with all covenants to be able to draw on the line of credit. As of June 30, 2021, the Company was in compliance with all covenants.

Operating Activities

Our working capital, defined as current assets less current liabilities, increased 2.3% from $223.2 million as of December 31, 2020 and $228.4 million as of June 30, 2021, and our current ratio, defined as current assets divided by current liabilities, decreased from 3.37 as of December 31, 2020 to 2.97 as of June 30, 2021. The increase in our working capital and decrease in our current ratio were primarily attributable to an increase in accounts receivable, cash and cash equivalents and prepaid expenses and other current assets partially offset by an increase in accounts payable and a decrease in inventory. The quick ratio, defined as cash, cash equivalents, short-term investments, and net accounts receivable, divided by current liabilities, decreased from 1.72 as of December 31, 2020 to 1.68 as of June 30, 2021. The decrease in the quick ratio was primarily attributable to increases in accounts receivable and cash and cash equivalents partially offset by an increase in accounts payable.

Net accounts receivable increased 24.1% from $98.8 million as of December 31, 2020 to $122.7 million as of June 30, 2021. Our allowance for expected credit losses was $38 thousand as of December 31, 2020. There was no allowance for expected credit losses as of June 30, 2021. The increase in net accounts receivable was due to an increase in sales volume and the timing of shipments within the quarter. Quarterly accounts receivable DSO increased from 70 days as of December 31, 2020 to 78 days as of June 30, 2021. The increase in DSO was due to the timing of product shipments and customer mix.

Other receivables decreased 7.0% from $21.5 million as of December 31, 2020 to $20.2 million as of June 30, 2021. The decrease in other receivables was primarily attributable to a decrease in contract manufacturer purchases and tax receivables partially offset by an increase in contract assets.

Quarterly inventory turnover increased from 2.5 turns as of December 31, 2020 to 2.7 turns as of June 30, 2021. Inventory decreased 5.1% from $125.5 million as of December 31, 2020 to $119.0 million as of June 30, 2021. While we remain subject to COVID-19 uncertainties related to supply chain and demand, we expect inventory levels to fluctuate as we attempt to maintain sufficient inventory in response to seasonal cycles of our business and ensuring competitive lead times while managing the risk of inventory.

Accounts payable increased 33.2% from $49.9 million as of December 31, 2020 to $66.5 million as of June 30, 2021. Accounts payable will fluctuate due to variations in the timing of the receipt of supplies, inventory and services and our subsequent payments for these purchases.

Investing Activities

Capital expenditures totaled approximately $2.2 million and $3.1 million for the six months ended June 30, 2021 and 2020, respectively. These expenditures were primarily used to purchase manufacturing and test equipment, software, computer hardware and to finance building improvements.

Our combined short-term and long-term investments increased $2.3 million from $83.3 million as of December 31, 2020 to $85.6 million as of June 30, 2021. This increase reflects the impact of net realized and unrealized gains and losses on our investments.

We typically invest all available cash not required for immediate use in operations, primarily in securities that we believe bear minimal risk of loss. See Note 6 of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this report for additional information. As of June 30, 2021, our corporate bonds, municipal bonds, asset-backed bonds, mortgage/agency bonds, U.S. government bonds, other government bonds and variable-rate demand notes were classified as available-for-sale and had a combined duration of 1.66 years with an average Standard & Poor's credit rating of AA-. Because our investment portfolio has a high-quality rating and contractual maturities of short duration, we are able to obtain prices for these bonds derived from observable market inputs, or for similar securities traded in an active market, on a daily basis.

Our long-term investments increased 3.3% from $80.1 million as of December 31, 2020 to $82.8 million as of June 30, 2021. Our investments include various marketable equity securities classified as long-term investments with a fair market value of $12.1 million and $11.0 million as of June 30, 2021 and December 31, 2020, respectively. Long-term investments as of June 30, 2021 and December 31, 2020 also included $25.9 million and $23.9 million, respectively, related to our deferred compensation plans.

Financing Activities

Dividends

In July 2003, our Board of Directors elected to begin declaring quarterly dividends on our common stock considering the tax treatment of dividends and adequate levels of Company liquidity. During each of the six months ended June 30, 2021 and 2020, we paid dividends totaling $8.7 million. The continued payment of dividends is at the discretion of the Company's Board of Directors and is subject to general business conditions and ongoing financial results of the Company.

Stock Option Exercises

To accommodate employee stock option exercises, the Company issued 0.1 million and 0.2 million shares of treasury stock which resulted in proceeds of $2.3 million and $3.6 million during the three and six months ended June 30, 2021, respectively. No stock options were exercised during the three and six months ended June 30, 2020.

Off-Balance Sheet Arrangements

We do not have off-balance sheet financing arrangements and have not engaged in any related party transactions or arrangements with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of or requirements for capital resources.

Contractual Obligations

Certain contracts, customers and jurisdictions in which we do business require us to provide various guarantees of performance such as bid bonds, performance bonds and customs bonds. As of June 30, 2021 and December 31, 2020, we had commitments related to these bonds totaling $21.2 million and $15.3 million, respectively, which expire at various dates through August 2024. Although the triggering events vary from contract to contract, in general we would only be liable for the amount of these guarantees in the event of default under each contract, the probability of which we believe is remote.

In June 2020, the Company entered into a letter of credit with a bank to guarantee performance obligations under a contract with a certain customer. The obligations under this customer contract will be performed over multiple years. We reached the maximum value of our minimum collateral requirement of $15.0 million during the three months ended March 31, 2021, as the Company reached certain milestones through the first quarter of 2021 as outlined in the customer contract. The letter of credit was secured by a pledge of a portion of the Company's fixed-income securities, which totaled $18.2 million as of June 30, 2021, of which less than $0.1 million is included in restricted cash and $18.2 million is included in long-term investments on the Condensed Consolidated Balance Sheet. This pledged collateral value will fluctuate as the Company changes the mix of the pledged collateral between restricted cash and investments. Any shortfalls in the minimum collateral value are required to be restored by the Company from available cash and cash equivalents, short-term investments and/or long-term investments. The collateral under the letter of credit will be released when all obligations under the customer contract have been met. As of June 30, 2021, the Company was in compliance with all contractual requirements under the letter of credit.

We have committed to invest up to an aggregate of $5.0 million in a private equity fund, of which $4.9 million has been invested as of June 30, 2021.

During the six months ended June 30, 2021, there have been no other material changes in contractual obligations and commercial commitments from those discussed in the 2020 Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in foreign currency rates, prices of marketable equity and fixed-income securities. In addition, the ongoing global pandemic raises the possibility of an extended economic downturn and has caused volatility in financial markets. The primary objective of the large majority of our investment activities is to preserve principal while at the same time achieving appropriate yields without significantly increasing risk. To achieve this objective, a majority of our marketable securities are investment grade, fixed-rate bonds and municipal money market instruments denominated in U.S. dollars. Our investment policy provides limitations for issuer concentration, by restricting, at the time of purchase, the concentration in any one issuer to 5% of the market value of our total investment portfolio.

We maintain depository investments with certain financial institutions. Although these depository investments may exceed government insured depository limits, we have evaluated the credit-worthiness of these financial institutions and determined the risk of material financial loss due to exposure of such credit risk to be minimal. As of June 30, 2021, $67.2 million of our cash and cash equivalents, primarily certain domestic money market funds and foreign depository accounts, were in excess of government provided insured depository limits.

As of June 30, 2021, approximately $45.5 million of our cash and investments may be directly affected by changes in interest rates. As of June 30, 2021, we held $6.5 million of cash and variable-rate investments where a change in interest rates would impact our interest income. A hypothetical 50 basis point decline in interest rates as of June 30, 2021, assuming all other variables remain constant, would reduce annualized interest income on our cash and investments by less than approximately $0.1 million. In addition, we held $39.0 million of fixed-rate bonds whose fair values may be directly affected by a change in interest rates. A hypothetical 50 basis point increase in interest rates as of June 30, 2021, assuming all other variables remain constant, would reduce the fair value of our fixed-rate bonds by approximately $0.3 million.

We are exposed to changes in foreign currency exchange rates to the extent that such changes affect our revenue and gross margin on revenue derived from some international customers, expenses, and assets and liabilities held in non-functional currencies related to our foreign subsidiaries. Our primary exposures to foreign currency exchange rate movements are with our German subsidiary, whose functional currency is the Euro, and our Australian subsidiary, whose functional currency is the Australian dollar. Our revenue is primarily denominated in the respective functional currency of the subsidiary and paid in that subsidiary's functional currency or certain other local currency, our global supply chain predominately invoices us in the respective functional currency of the subsidiary and is paid in U.S. dollars and some of our operating expenses are invoiced and paid in certain local currencies (approximately 10% of total operating expense for both the three and six months ended June 30, 2021). Therefore, our revenues, gross margins, operating expense and operating income are all subject to foreign currency fluctuations. As a result, changes in currency exchange rates could cause variations in our operating income.

We have certain customers and suppliers who are invoiced or pay in a non-functional currency. Changes in the monetary exchange rates used to invoice such customers versus the functional currency of the entity billing such customers may adversely affect our results of operations and financial condition. To manage the volatility relating to these typical business exposures, we may enter into various derivative transactions, when appropriate. We do not hold or issue derivative instruments for trading or other speculative purposes. All non-functional currencies billed would result in a combined hypothetical gain or loss of $3.0 million if the U.S. dollar weakened or strengthened 10% against the billing currencies. This change represents an increase in the amount of hypothetical gain or loss compared to prior periods and is mainly due to an increase in U.S. dollar denominated billings in a non-U.S. dollar denominated subsidiary. Although we do not currently hold any derivative instruments, any gain or loss would be partially mitigated by any derivative instruments held.

As of June 30, 2021, we had certain material contracts subject to currency revaluation, including accounts receivable, accounts payable and lease liabilities, denominated in foreign currencies. As of June 30, 2021, we did not have any forward contracts outstanding.

For further information about the fair value of our investments as of June 30, 2021, see Note 6 of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this report.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms promulgated by the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Because of the inherent limitations to the effectiveness of any system of disclosure controls and procedures, no evaluation of disclosure controls and procedures can provide absolute assurance that all control issues, if any, with a company have been prevented or detected on a timely basis. Even disclosure controls and procedures determined to be effective can only provide reasonable assurance that their objectives are achieved.

As of the end of the period covered by this report, an evaluation was carried out by management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting.

There were no changes in the Company's internal control over financial reporting that occurred during the most recent fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Shareholder Derivative Lawsuit

On March 31, 2020, a shareholder derivative suit, captioned Johnson (Derivatively on behalf of ADTRAN) v. Stanton, et al., Case No. 5:20-cv-00447, was filed in the U.S. District Court for the Northern District of Alabama against two of the Company's current executive officers, one of its former executive officers, and certain current and former members of its Board of Directors. The derivative suit alleges, among other things, that the defendants made or caused the Company to make materially false and misleading statements regarding, and/or failed to disclose material adverse facts about, the Company's business, operations and prospects, specifically relating to the Company's internal control over financial reporting, excess and obsolete inventory reserves, financial results and demand from certain customers. The case was temporarily stayed pending an order on the defendants' motion to dismiss in a separate securities class action case that included similar factual allegations, Burbridge v. ADTRAN, Inc., et al., Case No. 5:20-cv-00050-LCB (N.D. Ala.). The Burbridge case was dismissed on March 31, 2021, and the time to appeal the dismissal has expired, such that the dismissal is now final. Following the dismissal, the plaintiff in the shareholder derivative suit sent a demand letter dated June 29, 2021 to ADTRAN's Board of Directors. The letter contains similar allegations to those made in the plaintiff's filed complaint and in the now dismissed securities class action, and it demands, among other things, that the Board commence an investigation into the alleged wrongdoing. We expect that the derivative suit will remain stayed pending the Board's response to the demand. At this time, we are unable to predict the outcome of or estimate the possible loss or range of loss, if any, associated with the derivative lawsuit or the demand letter.

ITEM 1A. RISK FACTORS

A list of factors that could materially affect our business, financial condition or operating results is described in Part I, Item 1A, "Risk Factors" in the 2020 Form 10-K. There have been no material changes to our risk factors from those disclosed in Part I, Item 1A, "Risk Factors" in the 2020 Form 10-K, other than as described in the risk factors below.

The ongoing COVID-19 pandemic has impacted and may continue to impact our business, results of operations and financial condition, particularly our supply chain and workforce.

The global spread of COVID-19 created significant volatility, uncertainty and economic disruption. The restrictions imposed to prevent the spread of COVID-19 disrupted economic activity, resulting in reduced commercial and consumer confidence and spending, increased unemployment, closure or restricted operating conditions for businesses, volatility in the global capital markets, instability in the credit and financial markets, labor shortages, regulatory relief for impacted consumers and disruption in supply chains. COVID-19, as well as intensified measures undertaken to contain the spread of COVID-19, could adversely affect demand for our products and services in the future. A decrease in orders could negatively affect our revenues in future periods, particularly if experienced on a sustained basis. Also, we may be unable to collect receivables from those customers significantly impacted by COVID-19.

In addition, we have experienced disruption and delays in our supply chain and with certain of our manufacturing partners, and those limitations could continue and/or be reinstated if the number of COVID-19 cases in particular regions were to increase. As a result, there is considerable uncertainty regarding the duration of such limitations and potential future restrictions, and complexity in ensuring compliance. Our supply chain has also been affected by measures implemented in response to the pandemic and the related global semiconductor chip shortage, and our suppliers may not have the materials, capacity or capability to supply us with the components necessary for continuing our manufacturing operations or development efforts at our normal levels. There are also restrictions and delays on logistics, such as air cargo carriers, as well as increased logistics costs due to limited capacity and high demands for freight forwarders. Although we continue to work with our supply chain and dual source partners to take the necessary steps to mitigate disruption of supply, there can be no assurance that the ongoing disruptions due to COVID-19 and the related global semiconductor chip shortage will be resolved in the near term, which could result in longer lead times, inventory supply challenges and further increased costs, all of which could adversely affect our business, financial condition, and results of operations.

Although vaccines have been approved and are being distributed, it cannot be predicted how long it will take before market conditions return to normal and there can be no assurance that the economic recovery will occur or offset the uncertainty and instability triggered by the pandemic. New and potentially more contagious variants of the COVID-19 virus are developing in several countries, including regions in which we have significant operations. The COVID-19 variants could further amplify the impact of the pandemic.

To support the health and well-being of our employees, customers, partners and communities, many of our employees are working remotely as of the date of filing this report. However, there is risk that a number of our employees could be infected with COVID-19, including our key personnel. In addition, actions that have been taken and that may be taken by the Company, its customers, suppliers and counterparties in response to the pandemic, including the implementation of alternative work arrangements for certain employees, as well as the impacts to our supply chain, including delays in supply chain deliveries and the related global semiconductor chip shortage, have delayed and may continue to delay the timing of some orders and expected deliveries. The disruptions to our operations caused by COVID-19, the related global semiconductor chip shortage and actions by other parties have resulted in and may continue to result in inefficiencies and additional costs in our product development, sales, marketing and customer service efforts that we cannot fully mitigate. These additional costs may be partially offset by reduced travel expenses as a result of travel restrictions that we have in place, as well as lower marketing-related costs.

We will continue to evaluate the nature and extent of the impact of COVID-19 on our business.

Changes in trade policy in the U.S. and other countries, specifically the U.K. and China, including the imposition of additional tariffs and the resulting consequences, may adversely impact our gross profits, gross margins, results of operations and financial condition.

The U.S. government has imposed tariffs on a wide range of products and goods manufactured in China and imported into the U.S. These tariffs are intended to address trade imbalances, which include decreasing imports from China and encouraging increased production of these products in the U.S. These proposals have, and could continue to, result in increased customs duties and tariffs. We import an increasing percentage of our products into the U.S. from China and an increase in customs duties and tariffs with respect to these imports could negatively impact our gross profit, gross margins and results of operations. These customs duties and tariffs may also cause other U.S. trading partners to take certain actions with respect to U.S. imports in their respective countries. Any potential changes in trade policies in the U.S. and the potential actions by other countries in which we do business could adversely impact our financial performance.

In June 2016, the UK held a referendum, commonly referred to as "Brexit," in which the majority of voters elected to withdraw from the EU. The UK formally departed from the EU on Friday, January 31, 2020. The UK and the EU have signed an EU-UK Trade and Cooperation Agreement, which became provisionally applicable on January 1, 2021 and went into force permanently on May 1, 2021, following formal approval by the United Kingdom and the EU. The agreement is limited in its scope primarily to the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the UK, the EU and its member states, and elsewhere, and could contribute to instability in global financial markets. The past year has been challenging for the credit markets due to a shift from a time of quantitative easing to a time of quantitative tightening by central banks around the world. If global economic and market conditions, or economic conditions in key markets, remain uncertain or further deteriorate, we may experience material impacts on our business and operating results. We may also be adversely affected in ways that we do not currently anticipate.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth repurchases of our common stock for the months indicated:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2021 – April 30, 2021	—	$ —	—	2,545,430
May 1, 2021 – May 31, 2021	—	$ —	—	2,545,430
June 1, 2021 – June 30, 2021	—	$ —	—	2,545,430
Total	—		—	

(1) Since 1997, the Company's Board of Directors has approved multiple share repurchase programs that have authorized open market repurchase transactions of the Company's common stock, which are implemented through open market or private purchases from time to time as conditions warrant. We currently have authorization to repurchase an additional 2.5 million shares of our common stock under the current authorization of up to 5.0 million shares.

ITEM 6. EXHIBITS

Exhibits.

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of ADTRAN, Inc.
3.2	Bylaws, as Amended, of ADTRAN, Inc. (Exhibit 3.1 to ADTRAN's Form 8-K filed July 23, 2020)
10.1*	Form of Restricted Stock Award Agreement under the ADTRAN, Inc. 2020 Directors Stock Plan
31	Rule 13a-14(a)/15d-14(a) Certifications
32	Section 1350 Certifications
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020; (ii) Condensed Consolidated Statements of Income (Loss) for the three and six months ended June 30, 2021 and 2020; (iii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2021 and 2020; (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity for the three and six months ended June 30, 2021 and 2020; (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and 2020; and (vi) Notes to Condensed Consolidated Financial Statements
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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* Represents a management compensation plan or arrangement.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADTRAN, Inc.
(Registrant)

Date: August 6, 2021

/s/ Michael Foliano
Michael Foliano
Senior Vice President of Finance and
Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

Exhibit 3.1

RESTATED CERTIFICATE OF INCORPORATION
OF
ADTRAN, INC.

(Pursuant to Section 245 of the
General Corporation Law of the State of Delaware)

ADTRAN, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), DOES HEREBY CERTIFY:

1. The name of the Corporation is ADTRAN, Inc. The date of filing of the Corporation's original certificate of incorporation with the Secretary of State of the State of Delaware was November 18, 1985.

2. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the certificate of incorporation of the Corporation as heretofore amended or supplemented. There is no discrepancy between the provisions of this Restated Certificate of Incorporation and the provisions of the certificate of incorporation of the Corporation as heretofore amended or supplemented. This Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware. The text of the certificate of incorporation of the Corporation is hereby integrated and restated to read herein as set forth in full:

FIRST: The name of the Corporation is ADTRAN, Inc.

SECOND: The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The aggregate number of shares of stock which the corporation shall have the authority to issue is Two Hundred Million (200,000,000) shares of common stock of the par value of One Cent ($.01) per share, all of the same class and constituting a total authorized capital of Two Million ($2,000,000).

FIFTH: [Reserved]

SIXTH: In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized:

To make, alter or repeal the by-laws of the corporation.

To authorize and cause to be executed mortgages and liens upon the real and personal property of the corporation.

To set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

By a majority of the whole board, to designate one or more committees, each committee to consist of two or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution or in the by-laws of the corporation, shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; provided, however, the by-laws may provide that in the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member.

When and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power given at a stockholders' meeting duly called upon such notice as is required by statute, or when authorized by the written consent of the holders of a majority of the voting stock issued and outstanding, to sell, lease or exchange all or substantially all of the property and assets of the corporation, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may consist in whole or in part of money or property including shares of stock in, and/or other securities of, any other corporation or corporations, as its board of directors shall deem expedient and for the best interests of the corporation.

SEVENTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

EIGHTH: Meetings of stockholders may be held within or without the State of Delaware, as the by-laws may provide. The Books of the corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the by-laws of the corporation. Elections of directors need not be by written ballot unless the by-laws of the corporation shall so provide.

NINTH: Any corporate action upon which a vote of stockholders is required or permitted may be taken with the written consent of stockholders having not less than a majority of all of the stock entitled to vote upon the action if a meeting were held; provided that in no case shall the written consent be by holders having less than the minimum percentage of the vote required by statute for the proposed corporate action and provided that prompt notice be given to all stockholders of the taking of corporate action without a meeting and by less than unanimous written consent.

TENTH: The Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provisions contained in this Certificate of Incorporation; and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other person whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article.

ELEVENTH: (a) No person shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that the foregoing shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware or (iv) for any transaction from which the director derived an improper personal benefit. If the General Corporation Law of the State of Delaware is subsequently amended to further eliminate or limit the liability of a director, then a director of the Corporation, in addition to the circumstances in which a director is not personally liable as set forth in the preceding sentence, shall not be liable to the fullest extent permitted by the amended General Corporation Law of the State of Delaware. For purposes of this Article ELEVENTH, "fiduciary duty as a director" also shall include any fiduciary duty arising out of serving at the Corporation's request as a director of another corporation, partnership, joint venture or other enterprise, and "personal liability to the Corporation or its stockholders" also shall include any liability to such other corporation, partnership, joint venture, trust or other enterprise, and any liability to the Corporation in its capacity as a security holder, joint venturer, partner, beneficiary, creditor or investor of or in any such other corporation, partnership, joint venture, trust or other enterprise.

(b) Any repeal or modification of Section (a) of this Article ELEVENTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

TWELFTH: (a) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section (b) of this Article TWELFTH with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. Further, the Corporation also may indemnify and hold harmless employees and agents of the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), and such discretionary authority to indemnify employees and agents of the Corporation shall be vested in, and may be exercised by, the Board of Directors of the Corporation; provided, however, that the Board of Directors of the Corporation shall have no discretionary authority relative to the indemnification of an employee or agent of the Corporation where the General Corporation Law of the State of Delaware specifically provides that indemnification is mandatory. The right to indemnification conferred in this Article relative to directors and officers of the Corporation shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the General Corporation Law of the State of Delaware requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Article TWELFTH or otherwise.

(b) If a claim relative to which a director, officer, employee or agent is entitled to be mandatorily indemnified under Section (a) of this Article TWELFTH is not paid in full by the Corporation within ninety days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant also shall be entitled to be paid the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or stockholders) that the claimant has not met such applicable standard of conduct shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article TWELFTH shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

(d) The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

[The remainder of this page has been intentionally left blank]

IN WITNESS WHEREOF, the Corporation has caused this Restated Certificate of Incorporation to be executed by its duly authorized officer on this 12th day of May, 2021.

ADTRAN, INC.

By: /s/ Michael K. Foliano

Name: Michael K. Foliano

Title: Senior Vice President of Finance and Chief Financial Officer

Exhibit 10.1

RESTRICTED STOCK AWARD

ADTRAN, INC. hereby grants the following Award through the ADTRAN, Inc. 2020 Directors Stock Plan (the "Plan"), as described herein.

Participant: As set forth in the Morgan Stanley StockPlan Connect (the "Portal").

Number of Shares of Restricted Stock: As set forth in the Portal.

Grant Date: As set forth in the Portal,

Period(s) of Restriction/Vesting Schedule: In general, subject to certain accelerated vesting and forfeiture provisions, so long as you have not ceased to be a director of ADTRAN, Inc., your Award will vest as follows:

Date of Vest	Vesting Percentage
1st Anniversary of Grant Date	100%

Notwithstanding the foregoing, your Restricted Stock shall become 100% vested immediately upon your death or Disability (as defined in the Plan) or upon a Change of Control (as defined in the Plan).

Additional Terms and Conditions: Your rights and duties and those of ADTRAN, Inc. under your Award are governed by the provisions of this Restricted Stock Award, the Plan document, and the attached Restricted Stock Terms and Conditions, both of which are incorporated into this Award by reference. If there is any discrepancy between these documents, the Plan document will always govern.

Questions: If you have any questions regarding your Award, please see the enclosed Restricted Stock Terms and Conditions, or contact Meaghan Morris 256-963-6315.

RESTRICTED STOCK AWARD TERMS AND CONDITIONS

These Restricted Stock Award Terms and Conditions (these "Terms and Conditions") are intended to help you better understand the terms and conditions of Restricted Stock granted to you under the ADTRAN, INC. 2010 DIRECTORS STOCK PLAN (the "Plan"), as evidenced by the Restricted Stock Award (the "Award"). Capitalized terms used, but not defined herein, shall have the meaning given such term in the Plan.

1. *Service with the Company.* Each Award of Restricted Stock is conditioned on your continuous service on the Board of the Company from the Date of Award through the lapsing of restrictions applicable to the Restricted Stock (the "Period of Restriction").

2. *Limitations During Period of Restriction.* During the Period of Restriction you will not be able to pledge or transfer the Restricted Stock, whether voluntarily or involuntarily, by operation of law or otherwise, except by will or by the laws of descent and distribution. During the Period of Restriction, the Company will (i) hold your Restricted Stock in uncertificated form in a restricted account until the end of the Period of Restriction or (ii) deposit or transfer the Restricted Stock electronically to a custodian designated by the Committee in accordance with the terms of the Plan. As soon as practicable after the lapse of the Period of Restriction, the Company shall deliver the stock certificates to you (in paper or electronic form). You must execute the Irrevocable Power of Attorney, which is attached hereto as Appendix "A", to grant the Company the discretionary power to transfer forfeited stock back to the Company, to a shareholder, or to another person. Except as otherwise provided herein, you will not have shareholder rights on the Restricted Stock until the Period of Restrictions lapses.

3. *Vesting.* Each Award of Restricted Stock shall become vested (i.e., the Period of Restrictions shall lapse) on the first anniversary of the Date of Award; provided, if you cease to serve as Director, your rights with regard to all non-vested Restricted Stock shall cease immediately. Notwithstanding the foregoing, the Restricted Stock shall become 100% vested immediately upon your death, Disability (as defined in the Plan) or upon a Change of Control (as defined in the Plan).

4. *Dividend Credits.* Any cash dividends paid on Common Stock underlying your Restricted Stock during the Period of Restriction shall be credited to a bookkeeping account which shall be hypothetically invested in whole shares of Common Stock. Upon the lapse of restrictions on the Restricted Stock, the Company will immediately pay you the accumulated value of the bookkeeping account in the form of whole shares of Common Stock, plus any remaining cash.

5. *Lapse of Restrictions.* Once the Period of Restriction lapses with respect to Restricted Stock, you will normally be entitled to all rights of ownership to such Stock. Notwithstanding the foregoing, the following requirements, limitations, and restrictions shall apply to all Restricted Stock issued under this Award:

(a) No Restricted Stock shall be issued under this Award unless in compliance with applicable federal and state tax and securities laws;

(b) As a condition to the grant of this Award and issuance of the Restricted Stock, you will deliver to the Company such signed representations as may be necessary, in the opinion of counsel satisfactory to the Company, for compliance with applicable federal and state securities laws;

(c) Your ability to transfer your Common Stock may be restricted under federal or state securities laws. You shall not resell or offer for resale your Common Stock (or any securities issued in lieu thereof) unless it has been registered or qualified for resale under all applicable federal and state securities laws or an exemption from such registration or qualification is available in the opinion of counsel satisfactory to the Company;

(d) Your Common Stock is subject to the terms and conditions of the Company's Bylaws and certificate of incorporation, as they may be amended from time to time; and

(e) The certificates for your Restricted Stock shall bear any legends deemed necessary by the Committee.

6. *Taxes Due On Stock.* Normally, when the Period of Restriction ends on your Restricted Stock, you will be responsible for Federal, state, local and foreign taxes (including, without limitation, your FICA or SECA obligation) on the current fair market value of the Common Stock. The Company may withhold shares from the Common Stock issued to the extent required by any federal, state, local or foreign law to satisfy withholding or other tax-related obligations; however, <u>any tax liability resulting from this Award remains your responsibility</u>.

You may have the right, by properly filing an election under Code Section 83(b) within 30 days after the initial grant of your Restricted Stock hereunder, to elect to be taxed immediately on the value of your Restricted Stock determined at Date of Award. It is your sole responsibility and not the Company's to decide whether to make such an 83(b) Election and to timely file all necessary paperwork with the appropriate governmental authorities. If you make an 83(b) Election, you are also required to promptly notify the Company by sending a copy of your written election form to: Roger Shannon, Secretary, ADTRAN, Inc., 901 Explorer Boulevard, Huntsville, AL, 35806. For your convenience, we have attached an 83(b) Election Form as Appendix "B," which you may use to make your election.

7. *Termination of Service.* If your service on the Board terminates for any reason other than death, Disability, or following a Change of Control, your rights with respect to any non-vested Restricted Stock shall cease immediately.

8. *Administration.* These Terms and Conditions and your rights hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. A copy of the Plan has been made available to you and is hereby made a part of these Terms and Conditions as though its terms were set forth herein verbatim. In the event there is any inconsistency between the terms of these Terms and Conditions and the Plan, the terms of the Plan shall supersede and replace the inconsistent terms of these Terms and Conditions. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and these Terms and Conditions, all of which shall be binding upon you.

9. *Amendment, Modification or Termination.* The number and kind of shares subject to this Award and the purchase price (if any) per share are subject to adjustment as provided in the Plan. In addition, the Plan contains certain provisions giving the Board (and in some cases, the Committee) the power to amend, modify, or terminate this Award or the Plan at any time. However, except as specifically provided in the Plan, no such termination, amendment, or modification of the Plan or this Award may in any material way adversely affect your rights under this Award without your written consent.

10. *Governing Law.* To the extent not preempted by Federal law, these Terms and Conditions shall be construed and enforced in accordance with the laws of the State of Alabama.

APPENDIX A

IRREVOCABLE STOCK POWER

For value received, and pursuant to that certain Restricted Stock Award between __________(“Participant”) and ADTRAN, Inc., dated ___________,___ (the “Agreement”), Participant hereby sells, assigns and transfers unto ADTRAN, Inc.____shares of the common stock of ADTRAN, Inc., standing in Participant's name on the books of said corporation represented by Certificate No. (if applicable) herewith and does hereby irrevocably constitute and appoint the Secretary of ADTRAN, Inc. (or his or her delegate) to transfer said stock on the books of the within-named corporation with full power of substitution in the premises.

THIS ASSIGNMENT MAY ONLY BE USED AS AUTHORIZED BY THE AWARD AGREEMENT, THE TERMS AND CONDITIONS, THE PLAN, AND THE APPENDICES THERETO.

Dated: ____________

Signature

APPENDIX B

ELECTION UNDER SECTION 83(b) OF THE INTERNAL REVENUE CODE

On______, 20 , the undersigned acquired______ shares of common stock (the "Shares") in ADTRAN, Inc. (the "Company"), which are subject to certain restrictions pursuant to the ADTRAN, Inc. 2010 Directors Stock Plan (the "Plan") and other organizational documents of the Company.

The undersigned taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code and Treasury Regulation §1.83-2 promulgated thereunder, to include in taxpayer's gross income for the current taxable year the amount of any compensation taxable to taxpayer in connection with taxpayer's receipt of the property described below:

1. The name, address, taxpayer identification number and taxable year of the undersigned are as follows:

Name of Taxpayer: ____________________

Address: ____________________

Identification No : ____________________

Taxable year: ____________________

2. The property with respect to which the election is made is described as follows: common stock of ADTRAN, Inc.

3. The date on which the property was transferred is:_____.

4. The property is subject to risk of forfeiture upon the occurrence of specified contingencies as set forth in the Plan, restricted stock award agreement and terms and conditions thereto, and other organizational documents of the Company.

5. The fair market value at the time of transfer, determined without regard to any restrictions other than a restriction that by its terms will never lapse, of such property is:

$ [ ] per Share.

6. The amount (if any) paid for such property is: $ [ ] per Share.

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The transferee of such property is the person performing the services in connection with the transfer of said property.

Dated: ____________________ ____________________

Taxpayer

__________ , 2 __________

Certified Mail Receipt No: ______________

Internal Revenue Service Center [Address]

Re: Section 83(b) Election

Dear Sirs:

Enclosed please find an election and statement made pursuant to the provisions of Section 83(b) of the Internal Revenue Code and applicable Treasury Regulations. Please process this in your usual manner.

Very truly yours,

____

cc: [Secretary of ADTRAN, Inc.]

Exhibit 31

CERTIFICATIONS

I, Thomas R. Stanton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ADTRAN, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2021

/s/ Thomas R. Stanton
Thomas R. Stanton
Chief Executive Officer and Chairman of the Board

CERTIFICATIONS

I, Michael Foliano, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ADTRAN, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2021

/s/ Michael Foliano

Michael Foliano
Senior Vice President of Finance and
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ADTRAN, Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas R. Stanton, Chief Executive Officer and Chairman of the Board of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods described therein.

/s/ Thomas R. Stanton
Thomas R. Stanton
Chief Executive Officer and Chairman of the Board
August 6, 2021

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ADTRAN, Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Foliano, Senior Vice President of Finance and Chief Financial Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods described therein.

/s/ Michael Foliano
Michael Foliano
Senior Vice President of Finance and
Chief Financial Officer
August 6, 2021