

**ADTRAN, INC.****Consolidated Statements of Income**

Years ended December 31, 2013, 2012 and 2011

<i>(In thousands, except per share amounts)</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Sales	\$641,744	\$620,614	\$717,229
Cost of sales	332,858	303,971	302,911
<b>Gross Profit</b>	<b>308,886</b>	<b>316,643</b>	<b>414,318</b>
Selling, general and administrative expenses	129,366	134,523	124,879
Research and development expenses	131,055	125,951	100,301
<b>Operating Income</b>	<b>48,465</b>	<b>56,169</b>	<b>189,138</b>
Interest and dividend income	7,012	7,657	7,642
Interest expense	(2,325)	(2,347)	(2,398)
Net realized investment gain	8,614	9,550	12,454
Other income (expense), net	(911)	183	(694)
Gain on bargain purchase of a business	—	1,753	—
<b>Income before provision for income taxes</b>	<b>60,855</b>	<b>72,965</b>	<b>206,142</b>
Provision for income taxes	(15,061)	(25,702)	(67,565)
<b>Net Income</b>	<b>\$45,794</b>	<b>\$47,263</b>	<b>\$138,577</b>
Weighted average shares outstanding—basic	59,001	63,259	64,145
Weighted average shares outstanding—diluted	59,424	63,774	65,416
Earnings per common share—basic	\$0.78	\$0.75	\$2.16
Earnings per common share—diluted	\$0.77	\$0.74	\$2.12

*See notes to consolidated financial statements.*