

**ADTRAN, Inc. Reports Fourth Quarter 2002 Results.**

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HUNTSVILLE, Ala.-(BUSINESS WIRE)-Jan. 21, 2003-ADTRAN, Inc. (NASDAQ:ADTN - News) reported results for the fourth quarter and year ended December 31, 2002. Sales were \$88,419,000 for the quarter compared to \$89,094,000 for the fourth quarter of 2001, and \$345,725,000 for the year compared to \$387,081,000 for 2001.

Net income increased 220% to \$12,110,000 for the quarter compared to \$3,783,000 for the fourth quarter of 2001. Earnings per share, assuming dilution, were \$0.32 for the quarter compared to \$0.10 for the fourth quarter of 2001.

GAAP net income was \$24,776,000 for the year compared to \$17,329,000 for 2001. GAAP earnings per share, assuming dilution, were \$0.65 for the year compared to \$.45 for 2001. Pro-forma net income was \$32,648,000 for the year. Pro-forma earnings per share, assuming dilution, were \$0.85 for the year. Pro-forma net income and pro-forma earnings per share exclude the effect of impairment charges primarily related to other than temporary declines in the fair value of marketable equity securities and write-downs of private securities. These charges were incurred in the second and third quarters of 2002.

Gross margin improved to 54.8% for the quarter compared to 44.8% in the fourth quarter of 2001. Operating expenses for the quarter decreased \$2.6 million from the fourth quarter of 2001.

Net cash provided by operating activities totaled \$105 million for the year. Cash and marketable securities, net of debt, totaled \$270 million at year-end.

ADTRAN Chairman and Chief Executive Officer Mark Smith stated, "We experienced sequential increases in earnings each quarter in 2002 and sequential increases in revenue and gross profit for each of the most recent three quarters. Considering the difficult state of our markets, we were pleased with our progress. We've enhanced our competitive advantage by increasing our operating efficiencies, increasing our market share and reducing our product costs. These enhancements, augmented by our new products and strong balance sheet, provide us significant operating leverage when markets improve."

ADTRAN, Inc. is an established supplier of advanced transmission products that provide users access to today's expansive telecommunications networks. Widely deployed in carrier, enterprise and global networks worldwide, ADTRAN products support all major digital access technologies. ADTRAN equipment is widely deployed by major Incumbent Local Exchange Carriers, Inter-exchange Carriers, ISPs, Competitive Service Providers, international service providers, public and private enterprises, and original equipment manufacturers.

This press release contains forward-looking statements which reflect management's best judgment based on factors currently known. However, these statements involve risks and uncertainties including the successful development and market acceptance of new products, the degree of competition in the market for such products, the product and channel mix, component costs, manufacturing efficiencies, and other risks detailed in our annual report on Form 10-K for the year ended December 31, 2001. Such risks and uncertainties could cause actual results to differ materially from those in the forward-looking statements included in this press release. -0-

Condensed Balance Sheet  
December 31, 2002  
Unaudited  
(Dollars in thousands)

	December 31, 2002 -----
Assets	
Cash & cash equivalents	\$125,092
Short-term investments	\$19,747
Accounts receivable (net)	\$38,882
Other receivables	\$4,460
Inventory (net)	\$39,926
Prepaid expenses	\$7,449 -----
Total current assets	\$235,556
Equipment (net)	\$34,044
Land	\$4,263
Bldg. & land improvements (net)	\$67,867
Other assets	\$469
Deferred tax assets	\$2,683
Long-term investments	\$176,331 -----
Totals	\$521,213 =====
Liabilities and stockholders' equity	
Accounts payable	\$17,789
Accrued wages and benefits	\$6,256
Accrued income taxes	\$5,807
Accrued liabilities	\$2,194 -----
Total current liabilities	\$32,046
Long term liabilities	\$53,955 -----
Total liabilities	\$86,001
Stockholders' equity	\$435,212 -----
Totals	\$521,213 =====

Condensed Statements of Income  
For the periods ending 12/31/02 and 12/31/01  
(Dollars in thousands, except per share data)

Fourth Quarter 2002 -----	Fourth Quarter 2001 -----
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Sales	\$88,419	\$89,094
Cost of Sales	\$39,990	\$49,165
	-----	-----
Gross Profit	\$48,429	\$39,929
Selling, general and administrative expenses	\$20,463	\$22,931
Research and development expenses	\$13,815	\$13,981
	-----	-----
Operating Income	\$14,151	\$3,017
Interest expense	(\$611)	(\$625)
Other income (primarily interest)	\$2,485	\$1,927
	-----	-----
Income before provision for income taxes	\$16,025	\$4,319
Provision for income taxes	(\$3,915)	(\$536)
	-----	-----
Net income	\$12,110	\$3,783
	=====	=====
Weighted average shares outstanding:		
Basic	37,286,087	38,627,378
Diluted (1)	38,012,127	38,737,188
Earnings per share		
Basic	\$0.32	\$0.10
Diluted (1)	\$0.32	\$0.10

(1) Assumes exercise of dilutive stock options calculated under the treasury stock method

Condensed Statements of Income  
For the periods ending 12/31/02 and 12/31/01  
(Dollars in thousands, except per share data)

	Year Ended 2002	Year Ended 2001
	-----	-----
Sales	\$345,725	\$387,081
Cost of Sales	\$170,789	\$213,760
	-----	-----
Gross Profit	\$174,936	\$173,321
Selling, general and administrative expenses	\$81,116	\$95,954
Research and development expenses	\$56,295	\$58,935
	-----	-----
Operating Income	\$37,525	\$18,432
Interest expense	(\$2,572)	(\$2,068)
Other income (primarily interest)	\$9,541	\$7,374
	-----	-----
Income before provision for income taxes,		

excluding item detailed below	\$44,494	\$23,738
Provision for income taxes	(\$11,846)	(\$6,409)
	-----	-----
Income, excluding net investment impairment charge	\$32,648	\$17,329
Investment impairment charge, net (1)	(\$7,872)	\$0
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Net income	\$24,776	\$17,329
	=====	=====
Weighted average shares outstanding:		
Basic	38,045,128	38,567,324
Diluted (2)	38,221,750	38,676,187
Earnings per share, excluding net realized investment impairment charge		
Basic	\$0.86	\$0.45
Diluted (2)	\$0.85	\$0.45
Earnings per share		
Basic	\$0.65	\$0.45
Diluted (2)	\$0.65	\$0.45

(1) Amount is comprised of other than temporary declines in the fair value of marketable equity securities and write-downs of private securities.

Investment impairment charge before tax	(\$12,317)	\$0
Income tax effect	\$4,445	\$0
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Net investment impairment charge	(\$7,872)	\$0
	=====	=====

(2) Assumes exercise of dilutive stock options calculated under the treasury stock method

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