



ADTRAN, Inc. Reports Fourth Quarter and Year End 1998 Results

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HUNTSVILLE, Ala.--(BUSINESS WIRE)--Jan. 14, 1999--ADTRAN, Inc. (Nasdaq: ADTN) reported results for both the fourth quarter and the year ended December 31, 1998. Sales for the fourth quarter were \$73,033,000 compared to sales of \$74,400,000 for the fourth quarter of 1997. Sales for 1998 increased to \$286,559,000 from \$265,335,000 in 1997.

Net income for the quarter was \$8,831,000 (\$.23 per share) compared to \$12,556,000 (\$.32 per share) in the fourth quarter of 1997. Net income for the year ended December 31, 1998 increased to \$40,310,000 (\$1.03 per share) from \$40,209,000 (\$1.02 per share) in the prior year.

Commenting on the results, Mark C. Smith, Chairman and Chief Executive Officer, stated, "Both of our market segments were weak in the fourth quarter which is a trend we have not seen in recent years. While revenues were disappointing during 1998, gross margin percentages met our expectations. We also achieved growth in HDSL revenue for the second consecutive quarter. Additionally, the reduced level of sales did not allow us to move the amount of inventory we had anticipated. After peaking in mid-quarter, inventory levels are dropping and will continue to move toward normal levels. We are in good position to respond to customer replenishment orders as we move into 1999. With anticipated growth in HDSL, Total Reach Frame Relay and ATLAS CPE equipment sales, the outlook for 1999 is encouraging."

Mr. Smith noted several achievements for the Company during the fourth quarter. Production shipments of Total Reach DDS, the Company's new two wire extended range 64 kilobit access technology, commenced late in the fourth quarter to a new RBOC customer. Shipments of the Company's xDSL platform "Total Access" also commenced to a major interexchange carrier during the fourth quarter. Additionally, strategic distribution agreements completed in 1998 enhance ADTRAN's product availability in the Wide Area Network and Competitive Local Exchange Carrier markets.

ADTRAN, Inc. designs, develops, and markets a broad range of high-speed digital transmission products utilized by Telcos, corporate end users and OEMs to implement digital data service over existing telephone networks.

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, 1997. Such risks and uncertainties could cause actual results to differ materially from those in the forward-looking statements included in this press release.

Condensed Balance Sheet December 31, 1998 Unaudited

Assets	
Cash & cash equivalents	\$10,009,320
Short-term investments	40,795,068
Accounts receivable	46,588,319

Other receivables	697,074
Inventory	65,700,576
Prepaid expenses	3,771,051

Total current assets	167,561,408
Equipment (net)	31,732,976
Land	4,263,104
Bldg. & land improvements (net)	42,898,237
Other assets	220,000
Long-term investments	55,035,000

	\$301,710,725
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Liabilities and stockholders' equity	
Accounts payable	\$9,126,690
Accrued salaries	1,828,462
Accrued income taxes	1,060,795
Accrued taxes other than income taxes	252,548
Warranty payable	1,519,945
Accrued vacation	1,384,802
Interest payable	0
Other payables	1,853,407

Total current liabilities	17,026,649
Long-term liabilities	53,295,140

Total liabilities	70,321,789
Stockholders' equity	231,388,936

	\$301,710,725
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Condensed Statements of Income
For the quarters ending 12/31/98 and 12/31/97
Unaudited

	Fourth Quarter 1998	Fourth Quarter 1997
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Sales	\$73,032,629	\$74,400,401
Cost of sales	33,635,002	35,860,844
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Gross profit	39,397,627	38,539,557
Selling, general and administrative expenses	17,864,173	12,319,673
Research & development expenses	9,368,335	7,493,905
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Profit from operations	12,165,119	18,725,979
Interest expense	(593,393)	(566,165)
Other income (primarily interest)	1,348,370	1,474,699
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Income before income taxes	12,920,096	19,634,513
Provision for income taxes	(4,089,252)	(7,068,323)
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Net income	\$8,830,844	\$12,566,190
	=====	=====
Weighted average shares outstanding assuming dilution(1)	38,554,242	39,640,976
Earnings per common share assuming dilution(1)	\$0.23	\$0.32
Earnings per common share	\$0.23	\$0.32

(1) Assumes exercise of dilutive stock options calculated under

the treasury stock method.

Condensed Statements of Income
For the periods ending 12/31/98 and 12/31/97
Unaudited

	For The Year Ended December 31, 1998	For the Year Ended December 31, 1997
Sales	\$286,558,950	\$265,334,768
Cost of sales	130,009,879	130,253,531
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Gross profit	156,549,071	135,081,237
Selling, general and administrative expenses	62,060,907	44,973,178
Research & development expenses	37,221,780	30,055,091
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Profit from operations	57,266,384	60,052,968
Interest expense	(2,286,821)	(1,838,814)
Other income (primarily interest)	5,635,693	4,612,671
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Income before income taxes	60,615,256	62,826,825
Provision for income taxes	(20,305,606)	(22,617,556)
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Net income	\$40,309,650	\$40,209,269
	=====	=====
Weighted average shares outstanding assuming dilution(1)	39,163,763	39,565,497
Earnings per common share assuming dilution(1)	\$1.03	\$1.02
Earnings per common share	\$1.03	\$1.03

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

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