ADTRAN INC

FORM 10-Q
(Quarterly Report)

Filed 11/13/1998 For Period Ending 9/30/1998

Address	901 EXPLORER BLVD
	HUNTSVILLE, Alabama 35806
Telephone	256-963-8000
CIK	0000926282
Industry	Communications Equipment
Sector	Technology
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the Quarterly Period Ended September 30, 1998

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 0-24612

ADTRAN, INC.

(Exact name of Registrant as specified in its charter)

Delaware (State of Incorporation)	63-0918200 (I.R.S. Employer Identification No.)

901 Explorer Boulevard, Huntsville, Alabama 35806-2807
(Address of principal executive offices, including zip code)

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

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 twelve 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 x No

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date:

Class Outstanding at October 31, 1998 Common Stock, $.01 Par Value 38,415,879 shares

ADTRAN, INC.

Quarterly Report on Form 10-Q
For the Quarter Ended September 30, 1998

Table of Contents

Item Number	PART I. FINANCIAL INFORMATION	Page Number
1	Financial Statements: (unaudited)	
	Condensed Balance Sheets as of September 30, 1998 and December 31, 1997	3
	Condensed Statements of Income for the three months and nine months ended September 30, 1998 and 1997	4
	Condensed Statements of Cash Flows for the nine months ended September 30, 1998 and 1997	5
	Notes to Condensed Financial Statements	6
2	Management's Discussion and Analysis of Financial Condition and Results of Operations and Results of Operations	9
	PART II. OTHER INFORMATION	
5	Other Information	14
6	Exhibits and Reports on Form 8-K	14
	SIGNATURE	15

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ADTRAN, INC.
CONDENSED BALANCE SHEETS

ASSETS

	September 30, 1998 (Unaudited)	December 31, 1997
Current assets:		
Cash and cash equivalents	$ 13,109,385	$ 45,340,961
Short-term investments	56,753,013	37,833,240
Accounts receivable, less allowance for doubtful accounts of $872,687 and $893,389 in 1998 and 1997, respectively	48,260,625	40,906,887
Other receivables	747,121	343,463
Inventory	60,655,793	39,369,103
Prepaid expenses	1,628,458	1,148,288
Deferred income taxes	2,458,136	2,458,136
Total current assets	183,612,531	167,400,078
Property, plant and equipment,less accumulated depreciation of $27,373,199 and $20,900,272 in 1998 and 1997, respectively	72,858,246	64,801,132
Other assets	220,000	200,000
Long-term investments	55,035,000	50,000,000
	$311,725,777	$282,401,210

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 1998 (Unaudited)	December 31, 1997
Current liabilities:		
Accounts payable	$ 16,505,468	$ 9,121,270
Accrued salaries	2,311,439	1,927,364
Accrued income taxes	2,961,614	4,579,345
Accrued taxes other than income taxes	183,768	180,611
Warranty liability	1,510,259	1,435,259
Compensated absences	1,313,414	972,651
Total current liabilities	24,785,962	18,216,500
Long term liabilities:		
Bonds payable	50,000,000	50,000,000
Deferred income taxes	2,147,635	2,147,635
Total liabilities	76,933,597	70,364,135
Stockholders' equity:		
Common stock, par value $.01 per share 200,000,000 shares authorized: 39,414,479 and 39,381,264 shares issued in 1998 and 1997, respectively	394,145	393,813
Additional paid-in capital	90,621,208	90,582,615
Retained earnings	154,739,452	123,260,647
Less 492,500 and 100,000 shares treasury stock at cost in 1998 and 1997, respectively	(10,962,625)	(2,200,000)
Total stockholders' equity	234,792,180	212,037,075
	$311,725,777	$282,401,210

See notes to condensed financial statements

ADTRAN, INC.
CONDENSED STATEMENTS OF INCOME

Unaudited

	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
Sales	$77,043,635	$70,578,975	$213,526,321	$190,934,367
Cost of sales	34,734,064	34,486,972	96,364,654	94,418,912
Gross profit	42,309,571	36,092,003	117,161,667	96,515,455
Selling, general and administrative expenses	16,022,809	11,482,374	44,300,674	32,640,664
Research and development expenses	9,909,567	7,831,535	27,759,729	22,547,141
Income from operations	16,377,195	16,778,094	45,101,264	41,327,650
Interest expense	(582,667)	(521,449)	(1,693,428)	(1,272,649)
Other income, net	1,426,290	1,150,447	4,287,323	3,137,314
Income before income taxes	17,220,818	17,407,092	47,695,159	43,192,315
Provision for income taxes	(5,779,562)	(6,266,553)	(16,216,354)	(15,549,233)
Net income	$11,441,256	$11,140,539	$31,478,805	$27,643,082
Weighted average shares outstanding assuming dilution (1)	39,138,763	39,693,383	39,276,989	39,611,783
Earnings per common share assuming assuming dilution(1)	$0.29	$0.28	$0.80	$0.70
Earnings per common share - basic	$0.29	$0.28	$0.81	$0.71

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

See notes to condensed financial statements

ADTRAN, INC.
CONDENSED STATEMENTS OF CASH FLOWS
Unaudited

	Nine Months Ended September 30, 1998	1997
Cash flows from operating activities:		
Net income	$31,478,805	$27,643,082
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,459,220	5,398,219
Gain loss)on sale of property, plant and equipment	0	(14,074)
Gain(loss) on short-term investments	32,810	55,930
Change in operating assets:		
Accounts receivable	(7,353,738)	(3,853,971)
Inventory	(21,286,690)	(5,825,574)
Other receivables and other asets	(423,658)	(257,829)
Prepaid expenses	(480,170)	338,137
Change in operating liabilities:		
Accounts payable	7,384,198	(1,322,772)
Accrued salaries	384,075	(840,631)
Accrued income taxes	(1,617,731)	(968,254)
Accrued taxes other than income taxes	3,157	377
Compensated absences	340,763	218,019
Warranty payable	75,000	378,647
Net cash provided by operating activities	14,996,041	20,949,306
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(14,526,334)	(15,843,465)
Proceeds from the disposition of property, plant and equipment	10,000	39,797
Purchase of restricted investments	0	(50,000,000)
(Purchase) redemption of short-term investments	(18,952,583)	(1,033,240)
(Purchase) redemption of long-term investment	(5,035,000)	
Net cash used in investing activities	(38,503,917)	(66,836,908)
Cash flows from financing activities:		
Proceeds from issuance of bonds	0	50,000,000
Redemption of bonds payable	0	(20,000,000)
Proceeds from issuance of common stock	38,925	331,035
Purchase of treasury stock	(8,762,625)	(2,200,000)
Net cash (used in) provided by financing activities	(8,723,700)	28,131,035
Net decrease in cash and cash equivalents	(32,231,576)	(17,756,567)
Cash and cash equivalents, beginning of period	45,340,961	44,839,131
Cash and cash equivalents, end of period	$13,109,385	$27,082,564

See notes to condensed financial statements

ADTRAN, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The condensed balance sheet of ADTRAN, Inc. (the "Company") at December 31, 1997 has been derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. The accompanying unaudited condensed financial statements of the Company have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and notes required by generally accepted accounting principles for complete financial statements are not included herein. In the opinion of management, all adjustments necessary for a fair presentation of these interim statements have been included and are of a normal and recurring nature. Operating results for the nine months ended September 30, 1998 are not necessarily indicative of the results that may be expected to occur for the year ending December 31, 1998. The interim statements should be read in conjunction with the financial statements and notes thereto included in the Company's latest Annual Report on Form 10-K.

2. INVENTORY

At September 30, 1998 and December 31, 1997, inventory consisted of the following:

	September 30, 1998	December 31, 1997
Raw materials	$44,978,832	$24,199,720
Work in progress	3,353,760	2,565,179
Finished goods	12,323,201	12,604,204
	$60,655,793	$39,369,103

3. RECENT ACCOUNTING DEVELOPMENTS

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income, which requires the reporting and display of comprehensive income and its components in an entity's financial statements, and SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, which specifies revised guidelines for determining an entity's operating segments and the type and level of financial information to be required. The Company is required to adopt these standards in 1998. The Company does not expect the impact of these pronouncements to be material. SFAS 130 has been adopted during the quarters of 1998 and for the nine months ended September 30, 1998 and 1997, there were no differences between net income and comprehensive income.

4. EARNINGS PER SHARE

A summary of the calculation of basic and diluted earnings per share for the three months and nine months ended September 30, 1998 and September 30, 1997 is as follows:

FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 1998

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS			
Income available to common stockholders	$11,441,256	38,985,629	$0.29
EFFECT OF DILUTIVE SECURITIES			
Stock Options		153,134	
DILUTED EPS			
Income available to common stockholders + assumed conversions	$11,441,256	9,138,763	$0.29

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 1998

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS			
Income available to common stockholders	$31,478,805	39,100,156	$0.81
EFFECT OF DILUTIVE SECURITIES			
Stock Options		176,833	$0.01
DILUTED EPS			
Income available to common stockholders + assumed conversions	$31,478,805	39,276,989	$0.80

EARNINGS PER SHARE (Continued)

FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 1997

	Income Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS Income available to common stockholders	$11,140,539	39,257,528	$0.28
EFFECT OF DILUTIVE SECURITIES Stock Options		435,855	
DILUTED EPS Income available to common stockholders + assumed conversions	$11,140,539	39,693,383	$0.28

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 1997

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS Income available to common stockholders	$27,643,082	39,188,559	$0.71
EFFECT OF DILUTIVE SECURITIES Stock Options		423,224	$0.01
DILUTED EPS Income available to common stockholders + assumed conversions	$27,643,082	39,611,783	$0.70

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Overview
The Company designs, develops, manufactures, markets and services a broad range of high speed digital transmission products utilized by telephone companies ("Telcos") and corporate end-users to implement advanced digital data services over existing telephone networks. The Company currently sells its products to Telcos (including all of the Regional Bell Operating Companies), and private end-users in the Customer Premises Equipment ("CPE") market.

The Company's sales have increased each year due primarily to increases in the number of units sold to both new and existing customers. These annual sales increases reflect the Company's strategy of increasing unit volume and market share through the introduction of succeeding generations of products having lower selling prices and increased functionality as compared to the prior generation of a product and to the products of competitors. An important part of the Company's strategy is to engineer the reduction of the product cost of each succeeding product generation and then to lower the product's price based on the cost savings achieved. As a part of this strategy, the Company seeks in most instances to be a low-cost, high-quality provider of products in its markets. The Company's success to date is attributable in large measure to its ability to initially design its products with a view to their subsequent re-design, allowing efficient enhancements of the product in each succeeding product generation. This strategy has enabled the Company to sell succeeding generations of products to existing customers as well as to increase its market share by selling these enhanced products to new customers.

The Company intends to retain all earnings for use in the development of its business and does not anticipate paying any cash dividends in the foreseeable future.

When used in this Form 10-Q, the words "believe," "anticipate," "think," "intend," "will be," and similar expressions identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those, projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Readers are also urged to carefully review and consider the various disclosures made by the Company which attempt to advise interested parties of the factors which affect the Company's business, including the disclosures made in other periodic reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission.

RESULTS OF OPERATIONS - THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 1997

SALES

The Company's sales increased 9.2% from $70,578,975 in the three months ended September 30, 1997 to $77,043,635 in the three months ended September 30, 1998. Sales increased 11.8% from $190,934,367 in the nine months ended September 30, 1997 to $213,526,321 in the nine months ended September 30, 1998. The increased sales resulted from an increase in sales volume to existing customers and from increased market penetration. Telco sales decreased slightly from $45,373,984 in the three months ended September 30, 1997 to $44,733,699 in the three months ended September 30, 1998. However, Telco sales increased 1.1% from $123,703,727 in the nine months ended September 30, 1997 to $125,110,869 in the nine months ended September 30, 1998. The increase in Telco sales in the 1998 period resulted primarily from increased sales of High bit-rate Digital Subscriber Line products and Digital Data Services products. Telco sales as a percentage of total sales decreased from 64.3% in the three months ended September 30, 1997 to 58.1% in the three months ended September 30, 1998 and decreased from 64.8% in the nine months ended September 30, 1997 to 58.6% in the nine months ended September 30, 1998. Sales of CPE products increased 28.2% from $25,204,991 in the three months ended September 30, 1997 to $32,309,935 in the three months ended September 30, 1998, as a result of increased sales of "T-1" products, (a digital transmission link with a capacity of 1.544 megabits per second used predominantly in North America). Sales of CPE products increased 31.5% from $67,230,641 in the nine months ended September 30,1997 to $88,415,452 in the nine months ended September 30, 1998. As a percentage of sales, CPE sales increased from 35.7% in the three months ended September 30, 1997 to 41.9% in the three months ended September 30, 1998 and increased from 35.2% in the nine months ended September 30, 1997 to 41.4% in the nine months ended September 30, 1998. The financial effect of the increase in overall unit volume was offset somewhat by lower unit selling prices for many of the Company's products.

COST OF SALES

Cost of sales increased slightly from $34,486,972 in the three months ended September 30, 1997 to $34,734,064 in the three months ended September 30, 1998 and increased 2.1% from $94,418,912 in the nine months ended September 30, 1997 to $96,364,654 in the nine months ended September 30, 1998. As a percentage of sales, cost of sales decreased from 48.9% in the three months ended September 30, 1997 to 45.1% in the three months ended September 30, 1998 and decreased from 49.5% in the nine months ended September 30, 1997 to 45.1% in the nine months ended September 30, 1998. An important part of the Company's strategy is to reduce the product cost of each succeeding product generation and then to lower the product's price based on the cost savings achieved. This strategy sometimes results in variations in the Company's gross profit margins due to timing differences between the recognition of cost reductions and the lowering of product selling prices. In view of the rapid pace of new product introductions by the Company, this strategy may result in variations in gross profit margins that, for any particular financial period, can be difficult to predict.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses increased 39.5% from $11,482,374 in the three months ended September 30, 1997 to $16,022,809 in the three months ended September 30, 1998 and increased 35.7% from $32,640,664 in the nine months ended September 30, 1997 to $44,300,674 in the nine months ended September 30, 1998. The increase was due to additional sales and support expenditures necessary as a result of the Company's expanded sales base. Selling, general and administrative expenses as a percentage of sales increased from 16.3% in the three months ended September 30, 1997 to 20.8% in the three months ended September 30, 1998 and increased from 17.1% in the nine months ended September 30, 1997 to 20.8% in the nine months ended September 30, 1998. Sales and support organization expansion, which resulted in increased costs during the quarter, will continue because they are necessary to position the Company to accumulate market share and maintain growth over the longer term.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses increased 26.5% from $7,831,535 in the three months ended September 30, 1997 to $9,909,567 in the three months ended September 30, 1998 and increased 23.1% from $22,547,141 in the nine months ended September 30, 1997 to $27,759,729 in the nine months ended September 30, 1998. The increase was due to increased investment in product development and cost reduction through engineering. As a percentage of sales, research and development expenses increased from 11.1% in the three months ended September 30, 1997 to 12.9% in the three months ended September 30, 1998 and increased from 11.8% in the nine months ended September 30, 1997 to 13.0% in the nine months ended September 30, 1998. The Company will continue to invest in these product development activities because they are necessary to position the Company to accumulate market share and maintain growth over the longer term.

INTEREST EXPENSE

Interest expense increased 11.7% from $521,449 in the three months ended September 30, 1997 to $582,667 in the three months ended September 30, 1998 and increased 33.1% from $1,272,649 in the nine months ended September 30, 1997 to $1,693,428 in the nine months ended September 30, 1998. This increase was due primarily to interest being incurred on bonds payable for only $20,000,000 during the first quarter of 1997 versus interest being incurred on bonds payable of $50,000,000 in the first quarter of 1998. See "Liquidity and Capital Resources" below.

NET INCOME

As a result of the above factors, net income increased 2.7% from $11,140,539 in the three months ended September 30, 1997 to $11,441,256 in the three months ended September 30, 1998 and increased 13.9% from $27,643,082 in the nine months ended September 30, 1997 to $31,478,805 in the nine months ended September 30, 1998. As a percentage of sales, net income decreased from 15.8% in the three months ended September 30, 1997 to 14.9% in the three months ended September 30, 1998 and increased from 14.5% in the nine months ended September 30, 1997 to 14.7% in the nine months ended September 30, 1998.

LIQUIDITY AND CAPITAL RESOURCES

The Company is continuing a project to expand its facilities in Huntsville in several phases over the next four years at a cost of approximately $150,000,000, of which $55,455,000 had been incurred at September 30, 1998. The debt associated with $50,000,000 of this project was approved for participation in an incentive program offered by the Alabama State Industrial Development Authority (the "Authority"). During 1997, the Authority issued $30,000,000 of its taxable revenue bonds (the "Amended and Restated Bond"), pursuant to such program and loaned the proceeds from the sale of the Amended and Restated Bond to the Company, increasing the Company's long-term debt to $50,000,000 as of April 25, 1997. The Company will make payments to the Authority in amounts necessary to pay the principal of and interest on the Amended and Restated Bond, which matures on January 1, 2020.

The Company's working capital position improved from $149,183,578 as of December 31, 1997 to $158,826,569 as of September 30, 1998. This improvement in the Company's working capital position was due primarily to increased earnings. The Company has used, and expects to continue to use, the remaining proceeds of prior public offerings for working capital and other general corporate purposes, including (i) product development activities to enhance its existing products and develop new products and (ii) expansion of sales and marketing activities. Inventory increased 54.1% from December 31, 1997 to September 30, 1998 as a result of the increase in sales and a desire by the Company to ship larger orders to customers from available stock.

On March 31, 1997, the Board of Directors authorized the Company to repurchase up to 1,000,000 shares of the Company's outstanding common stock. During the nine month period ended September 30, 1998, the Company repurchased 392,500 shares at a cost of $8,762,625 and as of September 30, 1998, the Company had repurchased 492,500 shares at a total cost of $10,962,625. During the month of October, 1998 the Company repurchased an additional 507,500 shares at a total of $10,209,751.

Capital expenditures totaling $18,220,850 for the year ended December 31, 1997 and $14,526,334 in the first nine months of 1998 were used to expand the Company's headquarters and to purchase equipment.

At September 30, 1998, the Company's cash on hand of $13,109,385, short-term investments of $56,753,013 and $10,000,000 available under a $10,000,000 bank line of credit placed the Company's potential cash availability at $79,862,398 of which a portion is being used to expand the Company's facilities under the incentive program described above. The Company's $10,000,000 bank line of credit bears interest at the rate of 87.5 basis points over the 30 day London inter-bank offered rate. The Company expects to renew its $10,000,000 bank line of credit upon expiration in May 1999.

The Company expects to finance its operations in the future with cash flow from operations, the remaining net proceeds of the public offerings, amounts available under the bank line of credit, borrowed taxable revenue bond proceeds, and possible additional public financings. These available sources of funds are expected to be adequate to meet the Company's operating and capital needs for the foreseeable future.

YEAR 2000 COMPLIANCE

The Company is conducting a year 2000 program to assess and mitigate the impact of the year 2000 issue. The Company believes that all critical Information Technology and non-Information Technoloy hardware and software systems are, or will be year 2000 compliant before December 31, 1998. This includes, but is not limited to, business systems, network infrastructure, manufacturing equipment, engineering tools, customer products and plant facilities.

The Company has completed the inventory and assessment phases of its year 2000 program. The Company's operations are not dependent upon older legacy source code or mainframe computers as is often the case with systems with significant year 2000 issues. Therefore, there is little or no date related code remediation or conversion necessary to maintain normal business activities. The primary remaining effort in the year 2000 program is to review and validate the conclusions reached by the Company's year 2000 assessment. The Company does not believe that costs associated with bringing the Company's computer systems into full compliance with year 2000 issue will result in material expense to the Company.

In July of 1998 the Company completed the implementation of new business software and hardware which has been determined to be year 2000 compliant. Ongoing is the upgrade of some secondary systems which have been identified with minor year 2000 issues. Likewise, testing and year 2000 simulations will be performed on Company systems to verify date processing capabilities.

The Company has also contacted and assessed its suppliers and subcontractors regarding the year 2000 issue and concluded that those suppliers which have a material relationship with the Company, are not expected to cause significant business interruptions to occur as a result of the year 2000 issue. The Company's assessment of suppliers has identified those most critical to Company operations and a worst case contingency plan will be prepared. The Company's primary external subcontractors are conducting their own independent internal year 2000 programs and are being assisted by the Company with their year 2000 preparations where appropriate.

The Company's products are year 2000 compliant as well. Company engineers have confirmed product design specifications and have verified product date processing functionality. Customers are provided individual responses to product inquiries and the Company has posted detailed year 2000 information on its web site. The Company does not believe that it will have any material exposure to contingencies related to the year 2000 issue for products it has sold.

Based on information presently available, the Company does not anticipate any material impact on its financial condition or results of operations from the effect of the year 2000 issue on its internal systems or on those of its major suppliers and customers. However, there can be no guarantee that the systems of other companies on which the Company relies will be timely converted, or that a failure to convert by another company would not have a material adverse impact on the Company.

So far, the Company has spent approximately $100,000 in preparation for the year 2000 readiness. The Company expects to spend an additional $60,000 in 1999.

PART II. OTHER INFORMATION

Item 5. Other Information

The Securities and Exchange Commission has made recent changes to the proxy rules in Regulation 14A under the Securities Exchange Act of 1934, as amended, including Rule 14a-4 and Rule 14a-5. Stockholders are entitled to submit proposals on matters appropriate for stockholder action consistent with the rules and regulations of the Securities and Exchange Commission and the Company's Bylaws.

In connection with a stockholder's proposal to be presented at the 1999 Annual Meeting of Stockholders where such stockholder has not sought inclusion of the proposal in the Company's proxy statement and form of proxy, a proxy granted to the Company's management will give management discretionary authority to vote on any such stockholder proposal at the 1999 Annual Meeting of Stockholders:

(i) if the Company's Corporate Secretary, ADTRAN, Inc., 901 Explorer Boulevard, Huntsville, Alabama 35806, receives such proposal after February 2, 1999; or

(ii) if the Company's Corporate Secretary receives such proposal on or before February 2, 1999 and management describes the proposal and how it intends to exercise its discretionary voting authority with respect to such proposal in its proxy statement relating to the 1999 Annual Meeting of Stockholders; provided that, even if the Company includes such information in its proxy statement, the Company's management may not exercise its discretionary voting authority if, among other things, the stockholder submitting the proposal provides the Company's Corporate Secretary with a written statement on or before February 2, 1999 that such stockholder intends to deliver a proxy statement and form of proxy to the number of stockholders required to carry the proposal.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are being filed with this report.

Exhibit No. Description

27 Financial Data Schedule

(b) Reports on form 8-K. None

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: November 13, 1998

/s/ John R. Cooper
John R. Cooper
Vice President - Finance and

Chief Financial Officer

ARTICLE 5

This schedule contains summary financial information extracted from the condensed statement of income for the nine months ended September 30,1998 and the condensed balance sheet as of September 30, 1998 and is qualified in its entirety by reference to such financial statements.

CIK: 0000926282

NAME: ADTRAN

MULTIPLIER: 1

CURRENCY: US DOLLAR

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	SEP 30 1998
EXCHANGE RATE	1
CASH	$13,109,385
SECURITIES	56,753,013
RECEIVABLES	49,133,312
ALLOWANCES	872,687
INVENTORY	60,655,793
CURRENT ASSETS	183,612,531
PP&E	100,231,445
DEPRECIATION	27,373,199
TOTAL ASSETS	311,725,777
CURRENT LIABILITIES	24,785,962
BONDS	50,000,000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	394,145
OTHER SE	234,792,180
TOTAL LIABILITY AND EQUITY	311,725,777
SALES	213,526,321
TOTAL REVENUES	213,526,321
CGS	96,364,654
TOTAL COSTS	96,364,654
OTHER EXPENSES	44,300,674
LOSS PROVISION	0
INTEREST EXPENSE	1,693,428
INCOME PRETAX	47,695,159
INCOME TAX	16,216,354
INCOME CONTINUING	31,478,805
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	31,478,805
EPS PRIMARY	.80
EPS DILUTED	.81

End of Filing