ADTRAN INC

FORM 10-Q
(Quarterly Report)

Filed 8/16/1999 For Period Ending 6/30/1999

Address	901 EXPLORER BLVD
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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 June 30, 1999

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	63-0918200
(State of Incorporation)	(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 July 31, 1999
Common Stock, $.01 Par Value	39,425,854.00

ADTRAN, INC.

Quarterly Report on Form 10-Q
For the Quarter Ended June 30, 1999

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ADTRAN, INC.

CONDENSED BALANCE SHEETS

ASSETS	June 30, 1999 (Unaudited)	December 31, 1998
Current assets:		
Cash and cash equivalents	$ 37,599,951	$ 10,009,320
Short-term investments	24,132,108	40,795,068
Accounts receivable, less allowance for doubtful accounts of $838,050 and $958,805 in 1999 and 1998 respectively	61,247,914	46,588,319
Other receivables	1,476,173	697,074
Inventory	55,448,469	65,700,576
Prepaid expenses	1,517,850	1,354,366
Deferred income taxes	2,416,685	2,416,685
Total current assets	183,839,150	167,561,408
Property, plant and equipment, less accumulated depreciation of $35,124,070 and $29,902,941 in 1999 and 1998, respectively	93,193,507	78,894,317
Other assets	220,000	220,000
Long-term investments	55,734,945	55,035,000
	$332,987,602	$301,710,725
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 17,928,560	$ 10,980,097
Accrued salaries	4,502,326	1,828,462
Accrued income taxes	2,710,999	1,060,795
Accrued taxes other than income taxes	477,605	252,548
Warranty liability	1,519,945	1,519,945
Compensated absences	1,594,900	1,384,802
Total current liabilities	28,734,335	17,026,649
Long term liabilities:		
Bonds payable	50,000,000	50,000,000
Deferred income taxes	3,295,140	3,295,140
Total liabilities	82,029,475	70,321,789
Stockholders' equity:		
Common stock, par value $.01 per share 200,000,000 shares authorized: 39,440,929 and 39,423,479 shares issued in 1999 and 1998, respectively	394,409	394,235
Additional paid-in capital	90,701,484	90,640,451
Retained earnings	183,397,031	163,570,297
Treasury stock at cost: 1,120,081 and 1,100,081 shares in 1999 and 1998, respectively	(23,534,797)	(23,216,047)
Total stockholders' equity	250,958,127	231,388,936
	$332,987,602	$301,710,725

See notes to condensed financial statements

ADTRAN, INC.
CONDENSED STATEMENTS OF INCOME

Unaudited

	Three Months Ended June 30, 1999	Three Months Ended June 30, 1998	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
Sales	$88,506,872	$71,155,452	$165,669,520	$136,482,686
Cost of sales	45,151,016	32,205,894	82,635,552	61,614,431
Gross profit	43,355,856	38,949,558	83,033,968	74,868,255
Selling, general and administrative expenses	17,463,138	15,064,329	34,218,521	28,321,919
Research and development expenses	10,362,428	9,443,911	20,059,091	17,822,267
Income from operations	15,530,290	14,441,318	28,756,356	28,724,069
Interest expense	(576,333)	(576,333)	(1,146,333)	(1,110,761)
Other income, net	1,160,678	1,506,073	2,204,616	2,861,033
Income before income taxes	16,114,635	15,371,058	29,814,639	30,474,341
Provision for income taxes	(5,398,403)	(5,226,160)	(9,987,904)	(10,436,792)
Net income	$10,716,232	$10,144,898	$ 19,826,735	$ 20,037,549
Weighted average shares outstanding assuming dilution (1)	38,552,383	39,431,601	38,482,792	39,500,980
Earnings per common share assuming dilution (1)	$ .28	$ .26	$ .51	$ .51
Earnings per common share - basic	$ .28	$ .26	$ .52	$ .51

(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

	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
Cash flows from operating activities:		
Net income	$ 19,826,735	$ 20,037,549
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,246,222	4,054,508
(Gain) loss on sale of property, plant and equipment	(5,000)	0
(Gain) loss on short-term investments	37,050	0
Change in operating assets:		
Accounts receivable	(14,659,595)	3,950,059
Inventory	10,252,107	(2,453,638)
Other receivables	(780,768)	(770,618)
Prepaid expenses	(163,484)	(800,921)
Change in operating liabilities:		
Accounts payable	6,948,463	2,782,944
Accrued salaries	2,673,864	952,186
Accrued income taxes	1,650,204	(2,284,981)
Accrued taxes other than income taxes	225,057	79,404
Compensated absences	210,098	266,638
Net cash provided by operating activities	31,460,953	25,813,130
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(19,543,744)	(8,285,971)
Proceeds from the disposition of property, plant and equipment	5,000	10,000
Redemption (purchase) of short-term investments	16,625,910	(25,590,483)
Purchase of long-term investments	(699,945)	(5,035,000)
Net cash used in investing activities	(3,612,779)	(38,901,454)
Cash flows from financing activities:		
Proceeds from issuance of common stock	61,207	38,925
Purchase of treasury stock	(318,750)	(6,752,125)
Net cash used in financing activities	(257,543)	(6,713,200)
Net increase (decrease) in cash and cash equivalents	27,590,631	(19,801,524)
Cash and cash equivalents, beginning of period	10,009,320	45,340,961
Cash and cash equivalents, end of period	$ 37,599,951	$ 25,539,437

See notes to condensed financial statements

ADTRAN, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The interim condensed balance sheet of ADTRAN, Inc. (the "Company") at December 31, 1998 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 six months ended June 30, 1999 are not necessarily indicative of the results that may be expected to occur for the year ending December 31, 1999. 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 June 30, 1999 and December 31, 1998, inventory consisted of the following:

	June 30, 1999	December 31, 1998
Raw materials	$36,477,821	$39,787,631
Work in progress	3,583,551	7,935,771
Finished goods	15,387,097	17,977,174
	$55,448,469	$65,700,576

3. RECENT ACCOUNTING DEVELOPMENTS

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 requires all derivatives to be measured at fair value and recognized as either assets or liabilities on the balance sheet. Changes in such fair value are required to be recognized immediately in net income to the extent the derivatives are not effective as hedges. SFAS No. 133 is effective for Adtran, Inc. beginning January 1, 2001. The Company does not currently hold any derivative financial instruments.

4. EARNINGS PER SHARE

A summary of the calculation of basic and diluted earnings per share for the three months and six months ended June 30, 1999 and 1998 is as follows:

	For the Three Months Ended June 30, 1999		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$10,716,232	38,314,483	$0.28
Effect of Dilutive Securities			
Stock Options	0	237,900	
Diluted EPS			
Income available to common stockholders + assumed conversions	$10,716,232	38,552,383	$0.28

	For the Six Months Ended June 30, 1999		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$19,826,735	38,320,374	$.52
Effect of Dilutive Securities			
Stock Options	0	162,418	
Diluted EPS			
Income available to common stockholders + assumed conversions	$19,826,735	38,482,792	$.51

Earnings Per Share (continued)

	For the Three Months Ended June 30, 1998		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$10,144,898	39,284,750	$0.26
Effect of Dilutive Securities			
Stock Options		146,852	
Diluted EPS			
Income available to common stockholders + assumed conversions	$10,144,898	39,431,601	$0.26

	For the Six Months Ended June 30, 1998		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$20,037,549	39,306,033	$0.51
Effect of Dilutive Securities			
Stock Options		194,947	
Diluted EPS			
Income available to common stockholders + assumed conversions	$20,037,549	39,500,980	$0.51

5. SEGMENT INFORMATION

The Company operates two reportable segments - (1) the Carrier Network Division (formerly Telco) and (2) the Enterprise Network Division (formerly Customer Premise Equipment "CPE"). The Company evaluates the performance of its segments based on gross profit; therefore, selling, general and administrative expenses, as well as research and development expenses, interest income/expense, and the provision for taxes are reported on an entity wide basis only. There are no intersegment revenues.

The table below presents information about the reported sales and gross profit of the Company for the three months and six months ended june 30, 1999 and 1998. Asset information by reportable segment is not reported, since the Company does not produce such information internally.

	Three Months Ended June 30, 1999		Six Months Ended June 30, 1999	
	Sales	Gross Profit	Sales	Gross Profit
Carrier Network	$56,624,433	$27,704,392	$104,276,102	$52,228,366
Enterprise Network	31,882,439	15,651,464	61,393,418	30,805,602
Total	$88,506,872	$43,355,856	$165,669,520	$83,033,968

	Three Months Ended June 30, 1998		Six Months Ended June 30, 1998	
	Sales	Gross Profit	Sales	Gross Profit
Carrier Network	$39,681,156	$21,733,853	$ 80,377,170	$44,097,402
Enterprise Network	31,474,296	17,251,705	56,105,516	30,770,853
Total	$71,155,452	$38,949,558	$136,482,686	$74,868,255

The following table presents sales information by geographic area for the three months and six months ended June 30, 1999 and 1998.

Sales	Three Months Ended		Six Months Ended	
	June 30, 1999	June 30, 1998	June 30, 1999	June 30, 1998
United States	$85,364,394	$69,280,207	$161,087,975	$130,723,738
Foreign	2,692,478	1,875,245	4,581,545	5,758,948
Total	$88,506,872	$71,155,452	$165,669,520	$136,482,686

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

OF OPERATIONS

Overview

ADTRAN, Inc. (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 Regional Bell Operating Companies, (what is now referred to by the Company as the Carrier Network Division), and to private end-users in the Enterprise Network Division (formerly known as the Customer Premises Equipment or 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 enables the Company to sell succeeding generations of products to existing customers while increasing 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 SIX MONTHS ENDED JUNE 30, 1999 COMPARED TO THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 1998

SALES

The Company's sales increased 24.4% from $71,155,452 in the three months ended June 30, 1998 to $88,506,872 in the three months ended June 30, 1999. Sales increased 21.4% from $136,482,686 in the six months ended June 30, 1998 to $165,669,520 in the six months ended June 30, 1999. The increased sales resulted from an increase in sales volume to existing customers and from increased market penetration. 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. Carrier Network sales increased from $39,681,156 in the three months ended June 30, 1998 to $56,624,433 in the three months ended June 30, 1999 and increased from $80,377,170 in the six months ended June 30, 1998 to $104,276,102 in the six months ended June 30, 1999. The increase in Carrier Network sales for the 1999 period resulted primarily from increased sales of High bit-rate Digital Subscriber Line ("HDSL") products and Digital Data Services ("DDS") products. Carrier Network sales as a percentage of total sales increased from 55.8% in the three months ended June 30, 1998 to 64.0% in the three months ended June 30, 1999 and increased from 58.9% in the six months ended June 30, 1998 to 62.9% in the six months ended June 30, 1999. Enterprise Network sales increased slightly from $31,474,296 in the three months ended June 30, 1998 to $31,882,439 in the three months ended June 30, 1999, 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 Enterprise Network products increased 9.4% from $56,105,516 in the six months ended June 30,1998 to $61,393,418 in the six months ended June 30, 1999. As a percentage of sales, Enterprise Network sales decreased from 44.0% in the three months ended June 30, 1998 to 36.0% in the three months ended June 30, 1999 and decreased from 41.1% in the six months ended June 30, 1998 to 37.1% in the six months ended June 30, 1999.

COST OF SALES

Cost of sales increased 40.2% from $32,205,894 in the three months ended June 30, 1998 to $45,151,016 in the three months ended June 30, 1999 and increased 34.1% from $61,614,431 in the six months ended June 30, 1998 to $82,635,552 in the six months ended June 30, 1999. As a percentage of sales, cost of sales increased from 45.3% in the three months ended June 30, 1998 to 51.0% in the three months ended June 30, 1999 and increased from 45.1% in the six months ended June 30, 1998 to 49.9% in the six months ended June 30, 1999. Carrier Network cost of sales as a percentage of Carrier Network sales increased from 45.23% in the three months ended June 30, 1998 to 51.07% in the three months ended June 30, 1999. Enterprise Network cost of sales as a percentage of Enterprise Network sales, increased from 45.19% in the three months ended June 30, 1998 to 50.91% in the three months ended June 30, 1999. 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 margin 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 EXPENSES

Selling, general and administrative expenses increased 16.0% from $15,064,329 in the three months ended June 30, 1998 to $17,463,138 in the three months ended June 30, 1999 and increased 20.8% from $28,321,919 in the six months ended June 30, 1998 to $34,218,521 in the six months ended June 30, 1999. 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 decreased from 21.2% in the three months ended June 30, 1998 to 19.7% in the three months ended June 30, 1999 and remained essentially the same at 20.8% in the six months ended June 30, 1998 and 20.7% in the six months ended June 30, 1999. 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 9.7% from $9,443,911 in the three months ended June 30, 1998 to $10,362,428 in the three months ended June 30, 1999 and increased 12.6% from $17,822,267 in the six months ended June 30, 1998 to $20,059,091 in the six months ended June 30, 1999. The increase was due to increased investment in product development and product cost reduction through engineering. As a percentage of sales, research and development expenses decreased from 13.3% in the three months ended June 30, 1998 to 11.7% in the three months ended June 30, 1999 and decreased from 13.1% in the six months ended June 30, 1998 to 12.1% in the six months ended June 30, 1999. 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 was $576,333 for both the three months ended June 30, 1998 and the three months ended June 30, 1999, but increased 3.2% from $1,110,761 in the six months ended June 30, 1998 to $1,146,333 in the six months ended June 30, 1999.

NET INCOME

As a result of the above factors, net income increased slightly from $10,144,898 in the three months ended June 30, 1998 to $10,716,232 in the three months ended June 30, 1999 and decreased from $20,037,549 in the six months ended June 30, 1998 to $19,826,735 in the six months ended June 30, 1999. As a percentage of sales, net income decreased from 14.3% in the three months ended June 30, 1998 to 12.1% in the three months ended June 30, 1999 and decreased from 14.7% in the six months ended June 30, 1998 to 12.0% in the six months ended June 30, 1999.

Liquidity and Capital Resources

The Company is continuing a project to expand its facilities in Huntsville in several phases over the next two years at a cost of approximately $150,000,000, of which $58,269,314 had been incurred as of June 30, 1999. 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") pursuant to the incentive program the Authority issued $50,000,000 of its taxable revenue bonds (the "Amended and Restated Bond"), and loaned the proceeds from the sale of the Amended and Restated Bond to the Company. 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 increased slightly from $150,534,759 as of December 31, 1998 to $155,104,816 as of June 30, 1999 due to cash generated from operations. The Company has used, and expects to continue to use, the cash generated from operations 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 decreased 18.5% from December 31, 1998 to June 30, 1999. This decrease was attributable to the increased shipments of existing stock, planned for and built up in 1998.

On March 31, 1997, the Board of Directors authorized the Company to re-purchase up to 1,000,000 shares of the Company's outstanding common stock. In October 1998, the Board approved the re-purchase of an additional 2,000,000 shares. As of June 30, 1999, the Company had re-purchased 1,120,081 shares of its common stock at a total cost of $23,534,797.

Capital expenditures totaling $23,095,854 for the year ended December 31, 1998 and $19,543,744 in the first six months of 1999 were used to expand the Company's headquarters and to purchase equipment.

At June 30, 1999, the Company's cash on hand of $37,599,951, short-term investments of $24,132,108 and $10,000,000 available under a bank line of credit placed the Company's potential cash availability at $71,732,059, 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 and expires in May 2000.

Accounts receivable for the Company increased from $46,588,319 as of December 31, 1998 to $61,247,914 as of June 30, 1999. The increase was due primarily to extended payment terms to major customers.

The Company intends to finance its operations in the future with cash flow from operations, amounts available under the bank line of credit, remaining 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 Readiness Disclosure

The Company conducted 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 technology hardware and software systems are year 2000 compliant, including, but 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 completing the year 2000 compliance program. with the year 2000 issue will result in a material expense to the Company.

In July of 1998, the Company completed the implementation of new business software and hardware which the Company believes is year 2000 compliant. The Company upgraded some secondary systems which were identified with minor year 2000 issues. Likewise, testing and year 2000 simulations were performed on all Company systems to verify date processing capabilities. As of June 30, 1999, all critical systems had been tested and are believed to be year 2000 compliant.

The Company has also contacted and assessed its suppliers and subcontractors regarding the year 2000 issue and concluded that those suppliers and subcontractors, 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 the Company's operations and a contingency plan has been drafted to handle issues in the future. 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 believes that its products are year 2000 compliant. 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 systems 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. Furthermore, despite the Company's assessments, there can be no guarantee that there will not be a year 2000 problem arising from the Company's own system that may have a material adverse impact on the Company.

As of June 30, 1999 the Company had spent approximately $155,000 for year 2000 compliance. The Company anticipates spending an additional $30,000 during 1999. The Company does not separately track these internal costs incurred for the year 2000 issue. However, this cost consisted primarily of the related payroll costs of its information systems group.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The 1999 Annual Meeting of Stockholders of the Company was held on April 20, 1999. Proxies with regard to the matters to be voted upon at the Annual Meeting were solicited under Regulation 14A of the Securities Exchange Act of 1934, as amended. Set forth below is a brief description of each matter voted upon at the Annual Meeting and the results of the voting on each such matter.

(a) Election of each director named below to serve until the next Annual Meeting of Stockholders. There was no solicitation in opposition to any of the nominees listed in the proxy statement, and all of the nominees were elected.

Nominees	Votes	
	For	Withheld
Mark C. Smith	36,910,608	46,960
Lonnie S. McMillian	36,889,733	67,835
Howard A. Thrailkill	36,910,608	46,960
William J. Marks	36,910,608	46,960
Roy J. Nichols	36,889,933	67,635
James L. North	36,502,108	455,460

(b) Ratification of the appointment of PricewaterhouseCoopers LLP, (formerly Coopers & Lybrand L.L.P.) as independent accountants of the Company for 1999.

	Votes	
For	Against	Abstain
36,854,358	101,110	2,100

(c) Approval of an amendment to the 1995 Directors' Stock Option Plan increasing the aggregate number of shares of Common Stock authorized for issuance under the plan from 70,000 to 200,000.

	Votes	
For	Against	Abstain
35,826,366	353,329	4,417

(d) Approval of an amendment to the 1995 Directors' Stock Option Plan which
(a) increases the initial stock option grant to an incoming director from 5,000 to 10,000 shares of Common Stock and (b) increases the subsequent annual grants to a director from 2,000 to 5,000 shares of Common Stock.

	Votes	
For	Against	Abstain
36,713,938	238,989	4,641

Item 6. Exhibits and Reports on Form 8-K

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

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: August 14, 1999 *   /s/ John R. Cooper*

John R. Cooper
Vice President - Finance and
Chief Financial Officer

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRADTED FROM THE CONDENSED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED JUNE 30, 1999 AND THE CONDENSED BALANCE SHEET AS OF JUNE 30, 19999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

CIK: 0000926282

NAME: ADTRAN, INC.

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD START	APR 01 1999
PERIOD END	JUN 30 1999
CASH	37,599,951
SECURITIES	24,132,108
RECEIVABLES	62,085,964
ALLOWANCES	838,050
INVENTORY	55,448,469
CURRENT ASSETS	183,839,150
PP&E	128,317,577
DEPRECIATION	35,124,070
TOTAL ASSETS	332,987,602
CURRENT LIABILITIES	28,734,335
BONDS	50,000,000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	394,409
OTHER SE	250,563,718
TOTAL LIABILITY AND EQUITY	332,987,602
SALES	88,506,872
TOTAL REVENUES	88,506,872
CGS	45,151,016
TOTAL COSTS	45,151,106
OTHER EXPENSES	27,825,566
LOSS PROVISION	0
INTEREST EXPENSE	576,333
INCOME PRETAX	16,114,635
INCOME TAX	5,398,403
INCOME CONTINUING	10,716,232
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	10,716,232
EPS BASIC	.28
EPS DILUTED	.28

End of Filing