ADTRAN INC

FORM 10-Q
(Quarterly Report)

Filed 8/14/1998 For Period Ending 6/30/1998

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 June 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 July 31, 1998 Common Stock, $.01 Par Value 39,016,979 shares

ADTRAN, INC.

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

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ADTRAN, INC.

CONDENSED BALANCE SHEETS

ASSETS

	June 30, 1998 (Unaudited)	December 31, 1997
Current assets:		
Cash and cash equivalents	$25,539,437	$45,340,961
Short-term investments	63,423,723	37,833,240
Accounts receivable, less allowance for doubtful accounts of $820,445 and $893,389 in 1998 and 1997, respectively	36,956,828	40,906,887
Other receivables	1,113,151	343,463
Inventory	41,822,741	39,369,103
Prepaid expenses	1,929,209	1,148,288
Deferred income taxes	2,458,136	2,458,136
Total current assets	173,243,225	167,400,078
Property, plant and equipment, less accumulated depreciation of $24,953,849 and $20,900,272 in 1998 and 1997, respectively	69,023,525	64,801,132
Other assets	220,000	200,000
Long-term investments	55,035,000	50,000,000
	$297,521,750	$282,401,210

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 1998 (Unaudited)	December 31, 1997
Current liabilities:		
Accounts payable	$11,904,214	$ 9,121,270
Accrued salaries	2,879,550	1,927,364
Accrued income taxes	2,294,364	4,579,345
Accrued taxes other than income taxes	260,015	180,611
Warranty liability	1,435,259	1,435,259
Compensated absences	1,239,289	972,651
Total current liabilities	20,012,691	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	72,160,326	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	143,298,196	123,260,647
Less 397,500 and 100,000 shares treasury stock at cost in 1998 and 1997, respectively	(8,952,125)	(2,200,000)
Total stockholders' equity	225,361,424	212,037,075
	$297,521,750	$282,401,210

See notes to condensed financial statements

ADTRAN, INC.
CONDENSED STATEMENTS OF INCOME

Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Sales	$71,155,452	$59,125,208	$136,482,686	$120,355,392
Cost of sales	32,205,894	30,493,144	61,614,431	59,931,941
	----------	----------	----------	----------
Gross profit	38,949,558	28,632,064	74,868,255	60,423,451
Selling, general and administrative expenses	15,064,329	10,624,484	28,321,919	21,161,999
Research and development expenses	9,443,911	7,716,639	17,822,267	14,711,897
	----------	----------	----------	----------
Income from operations	14,441,318	10,290,941	28,724,069	24,549,555
Interest expense	(576,333)	(508,665)	(1,110,761)	(751,199)
Other income, net	1,506,073	1,124,401	2,861,033	1,986,866
	---------	----------	----------	----------
Income before income taxes	15,371,058	10,906,677	30,474,341	25,785,222
Provision for income taxes	(5,226,160)	(3,926,404)	(10,436,792)	(9,282,680)
	----------	---------	----------	---------
Net income	$10,144,898	$ 6,980,273	$20,037,549	$16,502,542
	===========	============	===========	===========
Weighted average shares outstanding assuming dilution(1)	39,431,601	39,523,277	39,500,980	39,531,615
	==========	==========	==========	==========
Earnings per common share assuming dilution (1	$0.26	$0.18	$0.51	$0.42
	-----	-----	-----	-----
Earnings per common share - basic	$0.26	$0.18	$0.51	$0.42
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(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, 1998	Six Months Ended June 30, 1997
Cash flows from operating activities:		
Net income	$20,037,549	$16,502,542
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,054,508	3,597,865
Gain(loss)on sale of property, plant and equipment	0	(12,220)
Loss on short-term investments	0	55,930
Change in operating assets:		
Accounts receivable	3,950,059	2,069,867
Inventory	(2,453,638)	(14,126,608)
Other receivables	(770,618)	(91,006)
Prepaid expenses	(800,921)	(44,648)
Change in operating liabilities:		
Accounts payable	2,782,944	523,351
Accrued salaries	952,186	(382,569)
Accrued income taxes	(2,284,981)	(1,803,706)
Accrued taxes other than income taxes	79,404	12,000
Compensated absences	266,638	230,606
Accrued interest	0	(59,594)
Net cash provided by operating activities	25,813,130	6,471,810
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(8,285,971)	(11,814,233)
Proceeds from the disposition of property, plant and equipment	10,000	28,447
(Purchase) redemption of short-term investments	(25,590,483)	3,966,760
Purchase of long-term investments	(5,035,000)	(50,000,000)
Net cash used in investing activities	(38,901,454)	(57,819,026)
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	286,229
Purchase of treasury stock	(6,752,125)	(2,200,000)
Net cash (used in) provided by financing activities	(6,713,200)	28,086,229
Net (decrease)increase in cash and cash equivalents	(19,801,524)	(23,260,987)
Cash and cash equivalents, beginning of period	45,340,961	44,839,131
Cash and cash equivalents, end of period	$25,539,437	$21,578,144

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 six months ended June 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 June 30, 1998 and December 31, 1997, inventory consisted of the following:

	June 30, 1998	December 31, 1997
Raw materials	$26,961,646	$24,199,720
Work in progress	3,749,075	2,565,179
Finished goods	11,112,020	12,604,204
	$41,822,741	$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. For the six months ended June 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 six months ended June 30, 1998 and June 30, 1997 is as follows:

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	39,431,602	$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

FOR THE THREE MONTHS ENDED JUNE 30, 1997

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$6,980,273	39,244,514	$0.18
Effect of Dilutive Securities			
Stock Options		278,763	
Diluted EPS			
Income available to common stockholders + assumed conversions	$6,980,273	39,523,277	$0.18

FOR THE SIX MONTHS ENDED JUNE 30, 1997

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS			
Income available to common stockholders	$16,502,542	39,137,998	$0.42
Effect of Dilutive Securities			
Stock Options		393,618	
Diluted EPS			
Income available to common stockholders + assumed conversions	$16,502,542	39,531,616	$0.42

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION 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 Six Months Ended June 30,1998 Compared to Three Months and Six Months Ended June 30, 1997

SALES

The Company's sales increased 20.3% from $59,125,208 in the three months ended June 30, 1997 to $71,155,452 in the three months ended June 30, 1998. Sales increased 13.4% from $120,355,392 in the six months ended June 30, 1997 to $136,482,686 in the six months ended June 30, 1998. The increased sales resulted from an increase in sales volume to existing customers and from increased market penetration. Sales to Telcos increased slightly from $37,941,567 in the three months ended June 30, 1997 to $39,681,156 in the three months ended June 30, 1998 and increased from $78,329,743 in the six months ended June 30, 1997 to $80,377,170 in the six months ended June 30, 1998. The increase in Telco sales in the 1998 period resulted primarily from increased sales of High bit-rate Digital Subscriber Line ("HDSL") products and ("DDS") Digital Data Services products. Telco sales as a percentage of total sales decreased from 64.2% in the three months ended June 30, 1997 to 55.8% in the three months ended June 30, 1998 and decreased from 65.1% in the six months ended June 30, 1997 to 58.9% in the six months ended June 30, 1998. Sales of CPE products increased 48.6% from $21,183,641 in the three months ended June 30, 1997 to $31,474,296 in the three months ended June 30, 1998, as a result of increased sales of ("T-1") products, (a digital transmission link with a capacity of 1.544 Mbit/s used predominantly in North America). Sales of CPE products increased 33.5% from $42,025,649 in the six months ended June 30,1997 to $56,105,516 in the six months ended June 30, 1998. As a percentage of sales, CPE sales increased from 34.9% in the six months ended June 30, 1997 to 41.1% in the six months ended June 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 $30,493,144 in the three months ended June 30, 1997 to $32,205,894 in the three months ended June 30, 1998 and increased 2.8% from $59,931,941 in the six months ended June 30, 1997 to $61,614,431 in the six months ended June 30, 1998. As a percentage of sales, cost of sales decreased from 51.6% in the three months ended June 30, 1997 to 45.3% in the three months ended June 30, 1998 and decreased from 49.8% in the six months ended June 30, 1997 to 45.1% in the six months ended June 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 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 41.8% from $10,624,484 in the three months ended June 30, 1997 to $15,064,329 in the three months ended June 30, 1998 and increased 33.8% from $21,161,999 in the six months ended June 30, 1997 to $28,321,919 in the six months ended June 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 18.0% in the three months ended June 30, 1997 to 21.2% in the three months ended June 30, 1998 and increased from 17.6% in the six months ended June 30, 1997 to 20.8% in the six months ended June 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 22.4% from $7,716,639 in the three months ended June 30, 1997 to $9,443,911 in the three months ended June 30, 1998 and increased 21.1% from $14,711,897 in the six months ended June 30, 1997 to $17,822,267 in the six months ended June 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 13.1% in the three months ended June 30, 1997 to 13.3% in the three months ended June 30, 1998 and increased from 12.2% in the six months ended June 30, 1997 to 13.1% in the six months ended June 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 13.3% from $508,665 in the three months ended June 30, 1997 to $576,333 in the three months ended June 30, 1998 and increased 47.9% from $751,199 in the six months ended June 30, 1997 to $1,110,761 in the six months ended June 30, 1998. This increase was due to an increase in bonds payable from $20,000,000 during the first quarter of 1997 to $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 45.3% from $6,980,273 in the three months ended June 30, 1997 to $10,144,898 in the three months ended June 30, 1998 and increased 21.4% from $16,502,542 in the six months ended June 30, 1997 to $20,037,549 in the six months ended June 30, 1998. As a percentage of sales, net income increased from 11.8% in the three months ended June 30, 1997 to 14.3% in the three months ended June 30, 1998 and increased from 13.7% in the six months ended June 30, 1997 to 14.7% in the six months ended June 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 $54,032,000 had been incurred at June 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 an additional $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 $153,230,534 as of June 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 6.2% from December 31, 1997 to June 30, 1998.

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 six month period ended June 30, 1998, the Company repurchased 297,500 shares at a cost of $6,752,125 and as of June 30, 1998, the Company has repurchased 397,500 shares at a total cost of $8,952,125.

Capital expenditures totaling $18,220,850 for the year ended December 31, 1997 and $8,285,971 in the first six months of 1998 were used to expand the Company's headquarters and to purchase equipment.

At June 30, 1998, the Company's cash on hand of $25,539,437, short- term investments of $63,423,723 and $10,000,000 available under a $10,000,000 bank line of credit placed the Company's potential cash availability at $98,963,160 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 intends to renew its $10,000,000 bank line of credit upon expiration in May 1999.

The Company intends 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 in the process of reviewing current software and hardware to assess the impact of the year 2000 issue. Initially, the Company has determined that most of the Company's current business process software and hardware are year 2000 compliant. The Company is in the process of implementing new business process software which has been determined to be year 2000 compliant as well. This implementation should be completed in 1998. The Company expects to complete its year 2000 analysis by the end of 1998 and does not believe that costs associated with bringing the Company's computer systems into full compliance with year 2000 will result in material costs to the Company. The Company's products are year 2000 compliant as well and therefore, the Company does not believe that it has any material exposure to contingencies related to the year 2000 issue for products it has sold.

The Company is also in the preliminary stages of assessing the impact of the year 2000 issue on its major vendors and suppliers to determine the extent to which the Company is vulnerable to those third parties' failure to remediate their own year 2000 issues. 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 the Company's internal systems or those of its major suppliers and customers. However, there can be no guarantee that the systems of other companies on which the Company's system rely will be brought into compliance, or that a failure to convert by another company would not have a material adverse impact on the Company.

PART II. OTHER INFORMATION

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

The 1998 Annual Meeting of Stockholders of the Company was held on April 27, 1998. 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 the seven directors 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	37,376,135	53,178
Lonnie S. McMillian	37,375,585	53,728
Howard A. Thrailkill	37,345,074	84,239
O. Gene Gabbard*	37,375,535	53,778
William J. Marks	37,343,034	86,279
Roy J. Nichols	37,375,285	54,028
James L. North	37,049,660	379,653

*Mr. Gabbard resigned from the Company's Board of Directors effective May 23, 1998. No additional director has been appointed.

(b) Ratification of the appointment of PricewaterhouseCoopers LLP, (formerly Coopers & Lybrand L.L.P.) as independent accountants of the Company for 1998.

VOTES
For Against Abstain

37,399,903 7,264 22,146

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 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' 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: August 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 SIX MONTHS ENDED JUNE 30, 1998 AND THE CONDENSED BALANCE SHEET AS OF JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENS.

CIK: 0000926282

NAME: ADTRAN, INC.

MULTIPLIER: 1

CURRENCY: US Dollar

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	JUN 30 1998
EXCHANGE RATE	1
CASH	$25,539,437
SECURITIES	63,423,723
RECEIVABLES	37,777,273
ALLOWANCES	820,445
INVENTORY	41,822,741
CURRENT ASSETS	173,243,225
PP&E	93,977,374
DEPRECIATION	24,953,849
TOTAL ASSETS	$297,521,750
CURRENT LIABILITIES	20,012,691
BONDS	50,000,000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	394,145
OTHER SE	225,361,424
TOTAL LIABILITY AND EQUITY	$297,521,750
SALES	136,482,686
TOTAL REVENUES	136,482,686
CGS	61,614,431
TOTAL COSTS	61,614,431
OTHER EXPENSES	28,321,919
LOSS PROVISION	0
INTEREST EXPENSE	1,110,761
INCOME PRETAX	30,474,341
INCOME TAX	10,436,792
INCOME CONTINUING	20,037,549
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	20,037,549
EPS PRIMARY	0.51
EPS DILUTED	0.51

End of Filing