

The background of the entire page is a dark, deep blue gradient. On the left side, there are several vertical, glowing lines in shades of blue and pink that curve slightly towards the right. These lines have a soft, ethereal glow. In the lower right portion of the image, there are horizontal streaks of light in blue and pink, suggesting motion or a futuristic landscape. The overall aesthetic is high-tech and modern.

Adtran

# Building a secure tomorrow

Annual report 2024

## **EXPLANATORY NOTE**

Subsequent to the filing of its Annual Report on Form 10-K for the fiscal year ended December 31, 2024 with the Securities and Exchange Commission (the “SEC”) on March 3, 2025 (the “Form 10-K”) and the filing of its 2024 Annual Report to Stockholders on Form ARS with the SEC on March 31, 2025 (the “Original Annual Report”), ADTRAN Holdings, Inc. (the “Company”) identified errors in certain of its historical financial statements. As a result of the errors, the Company restated certain of its historical financial statements and financial information in Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 31, 2024, filed with the SEC on May 20, 2025 (the “Form 10-K/A”).

Correspondingly, the Company is hereby amending the Original Annual Report (as amended, this “Amended Annual Report”) to reflect the filing of the Form 10-K/A. This Amended Annual Report includes the Form 10-K and the Form 10-K/A (excluding the exhibits to such filings). The Company’s other proxy materials and this Amended Annual Report are also available for viewing on the “Investor Resources” section of the Company’s website at <https://investors.adtran.com>.



# Building a secure tomorrow

Annual report 2024

Adtran and the Adtran logo are registered trademarks of Adtran, Inc. and/or its affiliates in the U.S. and other countries. To view a list of Adtran trademarks, go to this URL: [www.adtran.com/trademarks](http://www.adtran.com/trademarks). Third-party trademarks mentioned in this document are the property of their respective owners.



TL19.1270



# Letter to stockholders

**Tom Stanton**

Chairman and CEO of Adtran Holdings

## Dear fellow stockholders

The past year was one of operational discipline and strategic investment, which progressively led to tangible improvements in our financial performance and a stronger market position. As a result of our execution during 2024, we enter 2025 in a position of increased strength, with improving market conditions, a product suite ideally aligned with evolving market needs and improving financial fundamentals, including cash flow generation.

## Financial highlights

We reported significant progress in key financial metrics over the prior year. Revenue for 2024 totaled \$922.7 million, reflecting a modest decline as some customers focused on reducing inventory levels following a substantial post-supply-chain crisis inventory buildup. However, as excess inventories

began to normalize, revenue rebounded in the fourth quarter, driving an 8% year-over-year revenue increase during the fourth quarter of 2024. Despite these temporary headwinds, we achieved strong profitability, demonstrating our operating model's resilience. With a heightened focus on operational improvements, gross margin for the year expanded approximately 630 basis points to 35.1% on a GAAP basis.

Importantly, we achieved success in optimizing our cash flow. Net cash provided by operating activities increased to \$103.6 million for 2024, a significant improvement compared to net cash used in operating activities of \$43.0 million during 2023. This focus on operational efficiency and financial discipline positions us well for sustainable future growth.

## Expanding our network

The 2022 acquisition of ADVA Optical Networking SE provided the scale necessary to weather the industry downturn over the past few years and brought us a more diverse customer base with a broader and more differentiated portfolio. The acquisition included a substantial regional presence in Europe, which is significant given the region's focus on security and trusted vendor status. With our more comprehensive portfolio and global presence, we have solutions to address the fiber networking needs of a broad mix of service providers, internet content providers, enterprises, utilities and government agencies, including mission-critical applications with the most stringent security requirements. We are now winning new customers in more geographies and have a unique opportunity to replace high-risk vendors in communications networks, particularly across Europe.

## Strengthening our fiber networking portfolio

Adtran continues to invest in innovation. Our focus centers around capitalizing on the global move to higher-capacity fiber networks. With a portfolio that spans from the optical core to the customer premises, we have built a solution set that allows service providers to connect every home, business and intelligent endpoint with fiber while improving scale and automation.

This past year, we made significant upgrades across our portfolio. In our subscriber solutions portfolio, we upgraded our wholesale fiber CPE portfolio, launched our 10 Gig Wi-Fi platforms, and began scaled deployments of Intellifi®, our cloud-managed Wi-Fi solution for service providers. These portfolio enhancements helped to drive an 11% revenue increase in our subscriber solutions category.

In our access and aggregation portfolio, our flagship SDX platform provides the industry's best density, power efficiency and scalability for 10 Gig fiber access deployments, helping it achieve broad adoption across the US and Europe. With the recent launch of 50 Gig passive optical network (PON) trials with our SDX platform, we continue to focus on leading technology innovation in this crucial market segment.

***"We are now winning new customers in more geographies and have a unique opportunity to replace high-risk vendors in communications networks, particularly across Europe."***

With the proliferation of 10 Gig speeds at the customer premises and higher-capacity fiber access networks, customers will need to continue to upgrade their optical backhaul and regional transport networks. To address this growing demand, we introduced 800 Gig optical transport capabilities with our industry-leading M-Flex platform and began volume shipments of our innovative 100ZR module to bring long-reach, scalable and cost-effective 100 Gig coherent technology to the edge of the optical network. Our optical networking solutions are currently utilized in a diverse mix of applications, including broadband backhaul, regional transport, and secure connectivity for large enterprises and government agencies worldwide.

Our Mosaic software suite integrates our complete portfolio, offering a seamless solution to manage a diverse and complex range of product capabilities. These software applications simplify the operation and deployment of high-scale fiber networks. Our various software platforms have now been adopted by over 1,000 service provider customers, serving tens of millions of end subscribers. In the age of AI

and data, these tools will help us transform how customers operate their networks.

## Market trends and opportunities

The global shift towards secure manufacturing locations and away from high-risk vendors continues to create significant opportunities for Adtran. As the world becomes increasingly interconnected and artificial intelligence proliferates, the need for critical, secure infrastructure has never been greater. On the operations front, we have strengthened our supply chain capabilities in the US and Europe to be more agile in responding to evolving global trade policies. With our long-standing reputation as a trusted vendor, a geo-diverse supply chain and a portfolio tailored for secure communications networks, these market dynamics align well with our strategic direction.

## Looking ahead

As we move into 2025, we expect the momentum from the fourth quarter of 2024 to continue as communication service providers re-invest in their networks following the recent market slowdown. Support for fiber infrastructure expansion remains strong, particularly in our key US and European markets. By combining this top-line growth with a more efficient cost structure, we are well-positioned to drive improved profitability.

Our commitment to disciplined execution, innovation, and operational excellence remains unwavering as we work to continue to create long-term value for stockholders.

## A note of gratitude

Finally, I want to express my deepest gratitude to our dedicated employees for their resilience, ingenuity and unwavering commitment through the challenges we faced in 2024. Your hard work is the driving force behind our success. To our stockholders, thank you for your trust and confidence as we continue to build a stronger, more agile Adtran poised for long-term success.

We look forward to sharing more updates as we execute our strategic initiatives and capitalize on the opportunities ahead.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Stanton', with a long horizontal line extending to the right.

**Tom Stanton**

Chairman and CEO of Adtran Holdings

[This page intentionally left blank]

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2024

☐ **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 000-41446

**ADTRAN Holdings, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction of Incorporation or Organization)

901 Explorer Boulevard  
Huntsville, Alabama  
(Address of Principal Executive Offices)

87-2164282  
(I.R.S. Employer Identification Number)

35806-2807  
(Zip code)

256-963-8000

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class

Common Stock, Par Value \$0.01

Trading Symbol(s)

ADTN

Name of each exchange on which registered

The Nasdaq Global Select Market

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 12 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐

Accelerated Filer ☒

Non-accelerated Filer ☐

Smaller Reporting Company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒



The aggregate market value of the registrant's outstanding common stock held by non-affiliates of the registrant on June 30, 2024 was \$410,464,716 based on a closing market price of \$5.26 as reported on the NASDAQ Global Select. There were 79,860,033 shares of common stock outstanding as of February 28, 2025.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement for the registrant's 2025 Annual Meeting of Stockholders are incorporated herein by reference into Part III of this report to the extent described in Part III.

---

**ADTRAN Holdings, Inc.**  
**Annual Report on Form 10-K**  
**For the Fiscal Year Ended December 31, 2024**

Table of Contents

	<b>Page Number</b>
Cautionary Note Regarding Forward-Looking Statements and Risk Factor Summary .....	3
Glossary of Selected Terms.....	6
<b>PART I</b>	
Item 1. Business.....	9
Item 1A. Risk Factors.....	22
Item 1B. Unresolved Staff Comments .....	42
Item 1C. Cybersecurity.....	42
Item 2. Properties.....	43
Item 3. Legal Proceedings .....	43
Item 4. Mine Safety Disclosures.....	43
<b>PART II</b>	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities .	44
Item 6. [Reserved] .....	46
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations .....	46
Item 7A. Quantitative and Qualitative Disclosures About Market Risk .....	70
Item 8. Financial Statements and Supplementary Data .....	72
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure .....	123
Item 9A. Controls and Procedures.....	123
Item 9B. Other Information.....	124
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections .....	124
<b>PART III</b>	
Item 10. Directors, Executive Officers and Corporate Governance .....	125
Item 11. Executive Compensation .....	125
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters .....	126
Item 13. Certain Relationships and Related Transactions, and Director Independence.....	126
Item 14. Principal Accountant Fees and Services .....	126
<b>PART IV</b>	
Item 15. Exhibits and Financial Statement Schedules .....	127
Item 16. Form 10-K Summary .....	132
<u><b>SIGNATURES</b></u>	

## GENERAL

Unless the context otherwise indicates or requires, references in this Annual Report on Form 10-K to “Adtran,” the “Company,” “we,” “us” and “our” refer to ADTRAN, Inc. and its consolidated subsidiaries prior to the merger of Acorn MergeCo, Inc., a subsidiary of ADTRAN Holdings, Inc., with and into ADTRAN, Inc., on July 8, 2022, after which ADTRAN, Inc. became a wholly-owned direct subsidiary of ADTRAN Holdings, Inc. (the “Merger”), and to ADTRAN Holdings, Inc. and its consolidated subsidiaries following the Merger. Furthermore, unless the context otherwise indicates or requires, references in this Annual Report on Form 10-K to Adtran Networks refer to Adtran Networks SE (formerly ADVA Optical Networking SE).

\*\*\*

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. In addition, our names, logos and website names and addresses are owned by us or licensed by us. We also own or have the rights to copyrights that protect the content of our solutions. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this report are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks, trade names and copyrights.

This report may include trademarks, service marks or trade names of other companies. Our use or display of other parties’ trademarks, service marks, trade names or products is not intended to, and does not imply a relationship with, or endorsement or sponsorship of us by, the trademark, service mark or trade name owners.

\*\*\*

Unless otherwise indicated, information contained in this report concerning our industry and the markets in which we operate is based on information from independent industry and research organizations, other third-party sources (including industry publications, surveys and forecasts), and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of such industry and markets that we believe to be reasonable. Although we believe the data from these third-party sources is reliable, we have not independently verified any third-party information.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of Adtran. Adtran and its representatives may from time to time make written or oral forward-looking statements, including statements contained in this report, our other filings with the SEC and other communications with our stockholders. Any statement that does not directly relate to a historical or current fact is a forward-looking statement. Generally, the words “believe”, “expect”, “intend”, “estimate”, “anticipate”, “would”, “will”, “may”, “might”, “could”, “should”, “can”, “future”, “assume”, “plan”, “seek”, “predict”, “potential”, “objective”, “expect”, “target”, “project”, “outlook”, “forecast” and similar expressions identify forward-looking statements. We caution you that any forward-looking statements made by us or on our behalf are subject to uncertainties and other factors that could affect the accuracy of such statements. Forward-looking statements are based on management’s current expectations, as well as certain assumptions and estimates made by, and information available to, management at the time the statements are made. Those statements are based on general assumptions and are subject to various risks, and because they also relate to the future, they are likewise subject to inherent uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. These risks, uncertainties and other factors include, but are not limited to, the risks identified in Item 1A. “Risk Factors” of this report and those described below:

### ***Risks related to our financial results and Company success***

- We are obligated to comply with covenants related to our Wells Fargo Credit Agreement that could restrict our operating activities, and the failure to comply with such covenants could result in defaults that accelerates our debt obligations.
- We have experienced significant fluctuations in revenue and such fluctuations may continue. Fluctuations in revenue can cause our operating results in a given reporting period to be higher or lower than expected.
- Accurately matching necessary inventory levels to customer demand within the current environment is challenging, and we may incur additional costs or be required to write off significant inventory that would adversely impact our results of operations.
- The lengthy sales and approval process required by Service Providers for new products has resulted in fluctuations in our revenue and may result in future revenue fluctuations.
- We require a significant amount of cash to service our indebtedness, our payment obligations to Adtran Networks shareholders under the DPLTA, and other obligations.
- The terms of the DPLTA may have a material adverse effect on our financial results and condition.
- Our significant indebtedness exposes us to various risks.
- We depend heavily on sales to certain customers; the loss of any of these customers or a significant project would significantly reduce our revenue and net income.
- Our exposure to the credit risks of our customers and distributors may make it difficult to collect accounts receivable and could adversely affect our operating results, financial condition and cash flows.
- We expect gross margins to continue to vary over time, and our levels of product and services gross margins may not be sustainable.
- Our dependence on a limited number of suppliers for certain raw materials, key components and ODM products, combined with supply shortages, has prevented and may continue to prevent us from delivering our products on a timely basis, which has had and may continue to have a material adverse effect on operating results and could have a material adverse effect on customer relations.
- We compete in markets that have become increasingly competitive, which may result in reduced gross profit margins and market share.
- Our estimates regarding future warranty obligations may change due to product failure rates, installation and shipment volumes, field service repair obligations and other rework costs incurred in correcting product failures. If our estimates change, our liability for warranty obligations may increase or decrease, impacting future cost of revenue.
- Managing our inventory is complex and has included and may continue to include write downs of excess or obsolete inventory.
- Our international operations have and may continue to expose us to additional risks, increase our costs and adversely affect our operating results, financial condition and cash flows.

- Our success depends on attracting and retaining key personnel.
- We are exposed to adverse currency exchange rate fluctuations in jurisdictions where we transact in local currency, which could harm our financial results and cash flows.
- We have recognized impairment charges related to goodwill and other intangible assets in the past and may be required to do so in the future.
- We may be unable to successfully and effectively manage and integrate acquisitions, divestitures and other significant transactions, which could harm our operating results, business and prospects.
- Ongoing inflationary pressures have negatively impacted our revenue and profitability.

#### ***Risks related to our control environment***

- We have had to restate our previously issued consolidated financial statements and, as part of that process, have identified material weaknesses in our internal control over financial reporting. If we are unable to develop and maintain effective internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and may adversely affect our business, financial condition and results of operations.
- We may face litigation and other risks as a result of our material weaknesses in our internal control over financial reporting and any resulting restatement of our previously issued consolidated financial statements.
- Breaches of our information systems and cyberattacks could compromise our intellectual property and cause significant damage to our business and reputation.

#### ***Risks related to the telecommunications industry***

- We must continue to update and improve our products and develop new products to compete and to keep pace with improvements in communications technology.
- Our failure or the failure of our contract manufacturers to comply with applicable environmental regulations could adversely impact our results of operations.
- If our products do not interoperate with our customers' networks, installations may be delayed or canceled, which could harm our business.
- We engage in research and development activities to develop new, innovative solutions and to improve the application of developed technologies, and as a consequence may miss certain market opportunities enjoyed by larger companies with substantially greater research and development efforts and which may focus on more leading-edge development.
- Our strategy of outsourcing a portion of our manufacturing requirements to subcontractors located in various international regions may result in us not meeting our cost, quality or performance standards.
- Our failure to maintain rights to intellectual property used in our business could adversely affect the development, functionality and commercial value of our products.
- Third party hardware or software that is used with our portfolios may not continue to be available or at commercially reasonable terms.
- Our use of open source software could impose limitations on our ability to commercialize our products.
- We may incur legal related liabilities or become subject to litigation that would have a material effect on our business.
- If we are unable to successfully develop and maintain relationships with SIs, Service Providers and enterprise VARs, our revenue may be negatively affected.
- We depend on a third-party cloud platform provider to host our Mosaic One SaaS network and other operating platforms, and if we were to experience a material disruption or interference in service, our business and reputation could suffer.

#### ***Risks related to the Company's stock price***

- Our financial performance and operating results historically have fluctuated and are likely to continue to fluctuate in future periods, which may adversely affect our stock price.

- Future issuances of additional equity securities could result in dilution of existing stockholders' equity ownership.
- The price of our common stock has been volatile and may continue to fluctuate significantly.

***Risks related to the regulatory environments in which we do business***

- We are subject to complex and evolving U.S. and foreign laws, regulations and standards governing the conduct of our business. Violations of these laws and regulations may harm our business, subject us to penalties and to other adverse consequences.
- Changes in trade policy in the U.S. and other countries, including the imposition of additional tariffs and the resulting consequences, may adversely impact our gross profits, gross margins, results of operations and financial condition.
- New or revised tax regulations, changes in our effective tax rate, recognition of a valuation allowance or assessments arising from tax audits may have an adverse impact on our results.
- Interest rate fluctuations could increase our costs of borrowing money and negatively impact our financial condition and future operations.
- Expectations relating to ESG considerations expose the Company to potential liabilities, increased costs, reputational harm, and other adverse effects on the Company's business.
- Further downgrades of the U.S. credit rating, impending automatic spending cuts or a government shutdown could negatively impact our liquidity, financial condition and earnings.

We caution investors that other factors may prove to be important in the future in affecting our operating results. New factors emerge from time to time, and it is not possible for us to predict all of these factors, nor can we assess the impact each factor, or a combination of factors, may have on our business.

You are further cautioned not to place undue reliance on these forward-looking statements because they speak only of our views as of the date that the statements were made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## **GLOSSARY OF SELECTED TERMS**

Below are certain acronyms, concepts and defined terms commonly used in our industry and in this report along with their meanings:

<b>Acronym/Concept/ Defined Term</b>	<b>Meaning</b>
ACI-E	Access Integrator Ethernet
Adtran Networks	Adtran Networks SE, a European stock corporation incorporated under the laws of the European Union and Germany
Adtran GmbH	ADTRAN Gesellschaft mit beschränkter Haftung; Limited liability subsidiary of ADTRAN, Inc. in Germany
ALM	Active line monitoring
AI	Artificial Intelligence
AOE	Advanced Operational Environment
APAC	Asia Pacific
ASU	Accounting Standards Update
ATIS	Alliance for Telecommunications Industry Solutions; Standards organization that develops technical and operational standards and solutions for the information and technology industry
BBF	Broadband Forum
Carrier	Entity that provides voice, data or video services to consumers and businesses
CBAM	Carbon Border Adjustment Mechanism
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPE	Customer-Premises Equipment
CSRD	Corporate Sustainability Reporting Directive
C-TPAT	United States Customs Trade Partnership Against Terrorism
DPLTA	Domination and Profit and Loss Transfer Agreement
DPU	Distribution Point Unit
DSL	Digital Subscriber Line
DSO	Days Sales Outstanding
EMEA	Europe, Middle East and Africa
EPON	Ethernet Passive Optical Network
ESG	Environmental, Social and Governance
ESPR	Environmentally Sustainable Products Regulation
Ethernet	Means of connecting computers over a LAN (as defined below)
ETSI	European Telecommunications Standards Institute
EU	European Union
EURIBOR	Euro Interbank Offered Rate
FCPA	Foreign Corrupt Practices Act
FOB	Free on Board
FTTN	Fiber to the Node
GDPR	General Data Protection Regulation
Gfast	Digital subscriber line protocol standard for local loops (telephone lines) shorter than 500 meters with performance targets between 100 Mbps (as defined below) and 1 gigabit per second, depending on loop length
GPON	Gigabit Passive Optical Network
hiX	ADTRAN Multiservice Access Platform sold in the EU
ICT	Information and Communications Technology
IoT	Internet of Things

IP	Internet Protocol
IPCEI ME/CT	Important Projects of Common European Interest - Microelectronics and Communication Technologies
ISDA	International Swaps and Derivatives Association
ISO	International Organization for Standardization
ITU-T	International Telecommunication Union – Telecommunication Standardization Sector
LAN	Local Area Network
Mbps	Megabits Per Second
MEF	Metro Ethernet Forum
MSO	Multiple System Operator
MSP	Managed Service Provider
NASDAQ	National Association of Securities Dealers Automated Quotations, an American stock exchange based in New York City
ODM	Original Design Manufacturer
OLT	Optical Line Terminal
ONE	Optical Networking Edge
ONT	Optical Network Terminal
Operator	Entity that provides voice, data or video services to consumers and businesses
OS	Operating System
OTT	Over the Top
PCAOB	Public Company Accounting Oversight Board
PON	Passive Optical Network
PSU	Performance Stock Unit
RNCI	Redeemable Non-Controlling Interest
RoHS	Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment
RSU	Restricted Stock Unit
SaaS	Software-as-a-Service
SDN	Software Defined Networking
SDX	Software Defined Everything
SDO	Standards Developing Organizations
SEC	Securities and Exchange Commission
Service Provider or SP	An entity that provides voice, data or video services to consumers and businesses
SLA	Service Level Agreement
SMB	Small- to Medium-sized Business
SOFR	Secured Overnight Financing Rate
System Integrator or SI	Person or company that specializes in bringing together component subsystems into a whole and ensuring that those subsystems function together
TIA	Telecommunications Industry Association
TIP	Telecom Infra-Project
TL 9000	Standard developed by and for the ICT industry to drive consistency in the quality of products and services down the supply chain through the implementation of a common body of QMS requirements and defined performance-based measurements
U.K.	United Kingdom
U.S.	United States



VAR	Value-Added Reseller
VoIP	Voice over Internet Protocol
WEEE	Waste from Electrical and Electronic Equipment directive
Wi-Fi	Family of wireless network protocols, based on the IEEE 802.11 family of standards, which are commonly used for local area networking of devices and Internet access
XGS-PON	Updated standard for PONs that can support 10 Gbps symmetrical data transfer

## PART I

### **ITEM 1. BUSINESS**

---

#### **Company Overview**

ADTRAN Holdings, Inc. (“Adtran” or the “Company”) is a leading global provider of networking and communications platforms, software, systems and services focused on the metro optical transport, data center interconnect, and broadband access market, serving a diverse domestic and international customer base in multiple countries that includes large, medium and small Service Providers, alternative Service Providers, such as utilities, municipalities and fiber overbuilders, cable/MSOs, SMBs and distributed enterprises, including Fortune 500 companies with sophisticated business continuity applications; and federal, state and local government agencies. Our innovative solutions and services enable voice, data, video and internet-communications across a variety of network infrastructures and are currently in use by millions worldwide. We support our customers through our direct global sales organization and our distribution networks. Our success depends upon our ability to have customers adopt our technology, and increase unit volume and market share through the introduction of new products and succeeding generations of products having optimal selling prices and increased functionality as compared to both the prior generation of a product and to the products of competitors in order to gain market share. To service our customers and grow revenue, we are continually conducting research and developing new products addressing customer needs and testing those products for the specific requirements of the particular customers. We offer a broad portfolio of flexible software and hardware network solutions and services that enable Service Providers to meet today’s service demands, while enabling them to transition to the fully converged, scalable, highly-automated, cloud-controlled voice, data, internet and video network of the future. In addition to our global headquarters in Huntsville, Alabama, and our European headquarters in Munich, Germany, we have sales and research and development facilities in strategic global locations.

The Company solely owns ADTRAN, Inc. and is the majority shareholder of Adtran Networks SE (“Adtran Networks”). ADTRAN, Inc. is a leading global provider of open, disaggregated networking and communications solutions. Adtran Networks is a global provider of network solutions for data, storage, voice and video services. We believe that the combined technology portfolio can best address current and future customer needs for high-speed connectivity from the network core to the end consumer, especially upon the convergence of solutions at the network edge.

We operate under two reportable segments: (1) Network Solutions, which includes hardware and software products, and (2) Services & Support, which includes a portfolio of network design and implementation services, support services and cloud-hosted SaaS applications that complement our product portfolio and can be utilized to support other platforms as well. These two segments span across our three revenue categories: (1) Subscriber Solutions, (2) Access & Aggregation Solutions and (3) Optical Networking Solutions. See below for a detailed discussion of these reportable segments and revenue categories.

We are focused on being a top global supplier of fiber-based communications infrastructure and SaaS applications spanning from the network core to the cloud edge (data center) to the subscriber edge (customer premise) serving both the residential and enterprise connectivity markets including fiber-based infrastructure for mobile networks. We offer a broad portfolio of flexible network infrastructure solutions, customer premises equipment, software applications, and global services and support that enable Service Providers to meet their service demands now and in the future. These products and services enable Service Providers to transition to a common network supporting the simplified delivery of high-capacity services, regardless of subscriber density, network topology and infrastructure diversity.

We began operations in January 1986. Our global headquarters are located at Cummings Research Park in Huntsville, Alabama, the second largest research park in the U.S. and fourth largest in the world. Our mailing address is 901 Explorer Boulevard, Huntsville, Alabama, 35806. Our telephone number at that location is (800) 923-8726. Our website is [www.adtran.com](http://www.adtran.com). The information found on our website is not incorporated by reference in this report or any other report that we file or furnish to the SEC.

#### **Domination and Profit and Loss Transfer Agreement**

The DPLTA between the Company, as the controlling company, and Adtran Networks, as the controlled company, was executed on December 1, 2022 in connection with the Company’s business combination with Adtran Networks, and became effective on January 16, 2023. Pursuant to the DPLTA, the Company has effective control over Adtran Networks subject to the terms of DPLTA. *For more information on the DPLTA, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Adtran Networks Domination and Profit and Loss Transfer Agreement” in Part II, Item 7 of this report.*

## **Reportable Segments**

Our business operates under two reportable segments: (1) Network Solutions and (2) Services & Support. We review our financial performance, specifically revenue and gross profit, based on these two segments.

### *Network Solutions Segment*

The Network Solutions segment includes hardware and software products that enable a digital future which support the Company's Subscriber, Access and Aggregation, and Optical Networking Solutions. The Company's cloud-managed Wi-Fi gateways, virtualization software, and switches provide a mix of wired and wireless connectivity at the customer premises. In addition, its Carrier Ethernet products support a variety of applications at the network edge ranging from mobile backhaul to connecting enterprise customers ("Subscriber Solutions"). The Company's portfolio includes products for multi-gigabit service delivery over fiber or alternative media to homes and businesses.

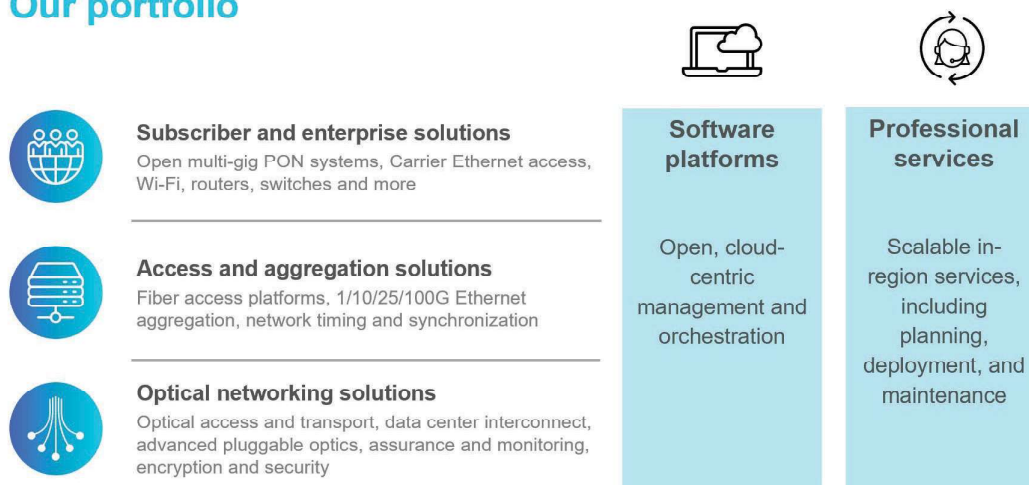
### *Services & Support Segment*

The Services & Support segment offers a comprehensive portfolio of network design, implementation, maintenance and cloud-hosted services supporting its Subscriber, Access & Aggregation, and Optical Networking Solutions. These services assist operators in the deployment of multi-vendor networks while reducing their cost to maintain these networks. The cloud-hosted services include a suite of SaaS applications under the Company's Mosaic One platform that manages end-to-end network and service optimization for both fiber access infrastructure and mesh Wi-Fi connectivity. The Company backs these services with a global support organization that offers on-site and off-site support services with varying SLAs.

## **Revenue Categories**

In addition to operating under two reportable segments, we also report revenue across three categories – Subscriber Solutions, Access & Aggregation Solutions and Optical Networking Solutions.

## **Our portfolio**



Our Subscriber Solutions portfolio is used by Service Providers to terminate their access services infrastructure at the customer's premises while providing an immersive and interactive experience for residential, business and wholesale subscribers. This revenue category includes hardware- and software-based products and services. These solutions include fiber termination solutions for residential, business and wholesale subscribers, Wi-Fi access solutions for residential and business subscribers, Ethernet switching and network edge virtualization solutions for business subscribers, and cloud software solutions covering a mix of subscriber types.

The Subscriber Solutions category includes the following products, software and services:

Residential Gateways ("RGs"): <ul style="list-style-type: none"> <li>Residential Gateways</li> </ul>	Optical Networking Terminals ("ONTs"): <ul style="list-style-type: none"> <li>EPON ONUs</li> <li>GPON/XGS-PON ONTs</li> </ul>
Enterprise Connectivity: <ul style="list-style-type: none"> <li>Traditional SSE</li> <li>Routers</li> <li>Switches</li> </ul>	Edge Compute: <ul style="list-style-type: none"> <li>Edge Cloud (VEC)</li> </ul>
Carrier Ethernet Network Interface Devices ("CE NIDs"): <ul style="list-style-type: none"> <li>FSP 150-GE110</li> <li>FSP 150-XG100</li> <li>FSP 150-XG210</li> <li>FSP 150-XG300</li> <li>FSP 150-XG400-NIDs</li> </ul>	Software: <ul style="list-style-type: none"> <li>Mosaic One SaaS applications</li> <li>n-Command</li> <li>Procloud</li> </ul>
Service: <ul style="list-style-type: none"> <li>Build</li> <li>Care</li> <li>Training</li> <li>Professional Services</li> <li>Software Services</li> <li>Managed Services</li> </ul>	

Our Access & Aggregation Solutions are solutions that are used by communications Service Providers to connect residential subscribers, business subscribers and mobile radio networks to the Service Providers' metro network, primarily through fiber-based connectivity. This revenue category includes hardware- and software-based products and services. Our solutions within this category are a mix of fiber access and aggregation platforms, precision network synchronization and timing solutions, and access orchestration solutions that ensure highly reliable and efficient network performance.

The Access & Aggregation category includes the following products, software and services:

Optical Line Terminals ("OLTs"): <ul style="list-style-type: none"> <li>TA5000 OLT</li> <li>SDX OLT</li> <li>EPON OLT</li> <li>Pluggable Optics</li> </ul>	Optical Networking Terminals ("ONTs"): <ul style="list-style-type: none"> <li>EPON ONUs</li> </ul>
Packet Aggregation: <ul style="list-style-type: none"> <li>FSF 150-XG400 Aggregators</li> <li>SDX Aggregation</li> <li>Activator</li> </ul>	Copper Access: <ul style="list-style-type: none"> <li>Gfast DPUs</li> <li>hiX</li> <li>Total Access FTTN</li> <li>Traditional Broadband</li> </ul>
Oscilloquartz: <ul style="list-style-type: none"> <li>OSA AccessSync</li> <li>OSA Edge Sync</li> </ul>	Software: <ul style="list-style-type: none"> <li>MCP</li> <li>AOE and ACI-E</li> </ul>

<ul style="list-style-type: none"> <li>• OSA CoreSync</li> <li>• OSA Inside</li> </ul>	<ul style="list-style-type: none"> <li>• Mosaic One SaaS Applications</li> <li>• Mosaic Network Controller</li> </ul>
Service: <ul style="list-style-type: none"> <li>• Build</li> <li>• Care</li> <li>• Training</li> <li>• Professional Services</li> <li>• Software Services</li> <li>• Managed Services</li> </ul>	

Our Optical Networking Solutions are used by communications Service Providers, internet content providers and large-scale enterprises to securely interconnect metro and regional networks over fiber. This revenue category includes hardware- and software-based products and services. Our solutions within this category include open optical terminals, open line systems, optical subsystems and modules, network infrastructure assurance systems, and automation platforms that are used to build high-scale, secure and assured optical networks.

The Optical Networking Solutions category includes the following products, software and services:

Optical Transport: <ul style="list-style-type: none"> <li>• FSP 3000 CC</li> <li>• FSP 3000 R7</li> </ul>	Optical Engines: <ul style="list-style-type: none"> <li>• AOE Coherent Pluggables</li> <li>• AOE MicroMax</li> <li>• AOE AccessWave</li> </ul>
Infrastructure Monitoring: <ul style="list-style-type: none"> <li>• ALM Fiber Monitoring</li> </ul>	Software: <ul style="list-style-type: none"> <li>• Mosaic Network Controller</li> </ul>
Services: <ul style="list-style-type: none"> <li>• Build</li> <li>• Care</li> <li>• Training</li> <li>• Professional Services</li> <li>• Software Services</li> <li>• Managed Services</li> </ul>	

## **Industry Overview**

The global growth of the cloud and mobility (5G), home office and mobile working, industrial applications and AI are accelerating the demand for more bandwidth, requiring more flexible provisioning of telecommunications services and more precise network synchronization. Communications Service Providers' investment in their networks is being driven by the pursuit of growth in subscriber acquisition, retention, and average revenue per user, as well as by the aims of streamlining operations, lowering energy consumption and improving their overall ESG position. Drivers facilitating this network investment cycle include the evolution of government funding programs, private equity infrastructure investment appetite, regulatory broadband policies, competition and ever-increasing subscriber demand for higher-speed broadband.

Subscriber demand for greater bandwidth continues to increase as connectivity is being woven ever more tightly into the fabric of everyone's day-to-day lives. Specifically, subscriber demand for greater bandwidth is being driven by increasing numbers of connected devices, shifting working arrangements, the transition of entertainment over to OTT video, and the evolution of gaming platforms towards subscription models where new hybrids of download and streaming are emerging globally. This is further compounded by the rapid adoption of AI, the prevalence of IoT and the increasing transition of applications over to cloud-based services and internet applications where recurring revenues replace one-time sales. Performance and user satisfaction are directly related to bandwidth availability and service robustness. As the demand for high-definition video and game streaming services, symmetric bandwidth for online collaboration, lower latency for interactive AI and cloud applications and smart home video surveillance applications continue to increase, so too does the need increase for fiber-based broadband to be in every home and business.

In order to satisfy these complex requirements and deliver on the efficiency improvements demanded by operators, communications Service Providers are transitioning to full fiber access networks.

We aim to serve as a trusted partner to our customers. Working side-by-side with our customers, we assist them with maximizing the performance of their networks by providing a flexible path for their networks to evolve cost-effectively over to full fiber while availing themselves of the benefits that web-scale architectures deliver and helping to further monetize their investments.

## **Our Strategy**

Our strategy is to provide innovative and cost-effective solutions for our customers that enable them to address their increasing broadband demand. Our solutions focus on technology transformations that are happening in broadband network infrastructure, home and business CPE and software platforms, and services needed to help our customers address increasing complexity while scaling to meet increasing consumer demands.

We aspire to be one of the top communication technology players in the world and an innovation leader around the converged edge, enabling the intelligent, self-optimizing, fiber-everywhere future. We plan to achieve this goal through innovation in network, home and business technology paired with a customer-focused organizational structure that tailors solutions to meet the needs of our target customers. We have one of the most comprehensive solutions portfolios that empowers operators to build a converged infrastructure from the metro core to the customer premise, serving all networking applications for residential, business, wholesale and mobile users. We take an approach to our portfolio in which we are focused in specific markets where we can offer competitive differentiation and scale while also having enough diversity and breadth in the portfolio to provide end-to-end connectivity solutions that offer value to our customers. More specifically, our corporate strategy consists of the following elements:

- *Leadership in fiber networking:* Breadth of portfolio, open and advanced architecture, assured and secure connectivity.
- *Growth in focus markets:* Increased turnkey solutions and in-region resources, especially North America and EMEA.
- *Investment in converged edge:* Innovation in optics, security, AI-driven networking, virtualization, SaaS, etc.
- *Transformation through software:* Open and cloud-centric systems, end-to-end programmability, simplification through software, and innovative SaaS offerings.
- *Diversification of customers:* Cross-selling current portfolio, acquisition of new customers and partners based on larger portfolio and trusted supplier status.
- *Focus on sustainability:* Science-based emissions targets, process-based product eco-design, optimization of operations, logistics and all packaging, circular-economy processes.

### *Business Efficiency Program*

On November 6, 2023, due to the uncertainty around the current macroeconomic environment and its impact on customer spending levels, the Company's management decided to implement a business efficiency program ("Business Efficiency Program") targeting the reduction of ongoing operating expenses and focusing on capital efficiency inclusive of certain salary reductions, an early retirement program, a site consolidation plan to include lease impairments and the sale of owned real estate (including the probable sale of our headquarters), inventory write downs from product discontinuances, and the suspension of the quarterly dividend. The Business Efficiency Program expanded upon other recently implemented restructuring efforts and synergy costs following the Business Combination. For instance, on August 17, 2023, the Company's management determined to discontinue its copper-based Digital Subscriber Line broadband access technology products and its fixed wireless access products in its Network Solutions segment. Furthermore, on September 29, 2023, the Company's management decided to exit the "IoT" gateway market (indoor and outdoor), a subset of the broader IoT market (together with the other product discontinuations, the "Discontinuations"). On October 25, 2023, all employees were informed of certain personnel measures, which included the reduction of salary for select management, a reduction of approximately 5% of the workforce, an early retirement program and a hiring freeze. Additionally, on April 11, 2024, Management determined to close a facility in Greifswald, Germany which was completed in November 2024. As of December 31, 2024, the Company classified the Company's property, specifically the North and South Towers located on our Huntsville, Alabama campus, as assets held for sale, *see Note 1 and Note 6 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information*. Other than our stated aim of selling our headquarters, the restructuring program was substantially complete as of December 31, 2024. *For additional information regarding the Business Efficiency Program, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 or Note 20 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.*

### **Customers**

We have a diverse global customer base that includes large, medium and small Service Providers, alternative Service Providers, such as utilities, municipalities and fiber overbuilders; cable/MSOs; SMBs and distributed enterprises.

During 2024, we had one customer who comprised greater than 10.0% of our revenue, which was an international Service Provider and our next five largest customers comprised 21.7% of our revenue. Additionally, our revenue in the U.S., U.K. and Germany each comprised more than 10% of our revenue in 2024. The revenue from this Service Provider and these countries is reported in both our Network Solutions and Services & Support segments.

*For a discussion of risks associated with customers, Service Providers and approval processes, see "Risk Factors – The lengthy sales and approval process required by Service Providers for new products could result in fluctuations in our revenue," "Risk Factors – We depend heavily on sales to certain customers; the loss of any of these customers would significantly reduce our revenue and net income," in Part I, Item 1A of this report.*

### **Distribution, Sales and Marketing**

We sell our products through our direct sales organization and our distribution network. Our direct sales organization supports major accounts and has offices in global locations. Sales to most smaller and independent telephone companies are fulfilled through a combination of direct sales and distributors. Our services offerings can be purchased directly from us or through one of our Service Providers, channel partners or distribution partners.

Before placing an order, Service Providers typically require lengthy product qualification and standardization processes that can extend for several months or even years. Once approved, product orders are typically placed under single or multi-year supply agreements that are generally not subject to minimum volume commitments. Service Providers generally prefer having two or more suppliers for most products. Therefore, individual orders are usually subject to competitive combinations of total value, service, price, delivery and other terms.

Orders for end-user products are fulfilled through a combination of direct sales and distributors. This is supported by a direct sales organization for major accounts and a channel-based sales organization to facilitate sales to our partners. MSPs, VARs and SIs may be affiliated with us as channel partners, or they may purchase from a distributor in an unaffiliated fashion. Affiliated partners participate with us at various program levels, based on sales volume and other factors, to receive benefits such as product discounts, market development funds, technical support and training.

Outside of the U.S., most Service Provider products are sold through our direct sales organization and end-user products are sold direct or through distribution arrangements customized for each region. Some regions are supported from a field office that offers sales and support functions, and in some cases, warehousing and manufacturing support. Our field sales organizations, distributors and Service Provider customers receive support from regional-based marketing, sales and customer support groups.

Our marketing organization promotes all brands associated with us to key stakeholders, including customers, partners and prospects throughout the world. Marketing is complemented by product marketing and management teams that work with our engineering teams to develop and promote new products and services, as well as product enhancements.

## **Research and Development**

Rapidly changing technologies, evolving industry standards, changing customer requirements, supply constraints and continuing developments in communications service offerings characterize the markets for our products. Our on-going ability to adapt to these changes and to develop new and enhanced products that meet or anticipate market demand is the main factor influencing our competitive position and our ability to grow.

Our product development activities are a central part of our strategy. We plan to maintain our emphasis on product development to enable us to respond to rapidly changing technology and evolving industry standards. Our research and development and engineering functions are global. We maintain research and development functions at multiple sites in the U.S., Europe, Israel and Asia. During the years ended December 31, 2024, 2023 and 2022, research and development expenditures totaled \$221.5 million, \$258.3 million and \$173.8 million, respectively.

While we develop the majority of our products internally, we also leverage partners for some solutions. Additionally, we license intellectual property or acquire technologies. Internal development on advanced technology products gives us more control over design and manufacturing issues, while for traditional designs, ODM and/or licensed intellectual property provides us with the ability to leverage the economies of scale of our technology partners. This balanced approach ensures we provide best-in-class solutions for our customers.

As we continue to create more software-based intellectual property, such as our SDN/Edge Cloud portfolio, our use of lean agile practices in research and development ensures we remain responsive and customer-focused. This enables us to deliver products faster, at higher quality and more economically to our customers and the market on a continuous basis.

Our ability to continually reduce product costs, while focusing on delivery and quality, are important parts of our overall business strategy. Our product development efforts are often centered on entering a market with improved technology, enabling us to offer products at competitive prices and compete for market share.

Development activities focus on solutions that support both existing and emerging communications industry technologies in segments that we consider viable revenue opportunities. We are actively engaged in developing and refining technologies to support data, voice and video transport primarily over IP/Ethernet and optical network architectures. This includes optical transport, packet demarcation and aggregation, synchronization and fiber-optic access, DSL, access routing, ethernet switching, wireless LANs, integrated access, converged services, VoIP, network management and professional services. In addition, we focus on vertical optical technologies like Silicon Photonics, as well as microelectronics in order to differentiate and fully control the vertical value stack of our solutions. In 2024, we released many market-leading products like additions to our SDX OLT series, new residential gateway and ONT families, outdoor packet demarcation devices, packet demarcation, encryption/security products, edge and core transport solutions. We enhanced our market-leading synchronization & timing portfolio, as well as our SaaS delivery abilities and Mosaic One software.

Our research function and advanced technology team is driving many specific research projects in the fields of sustainable optical transmission, security, quantum communications, SDN and access technologies. This research fosters differentiated product concepts and guides our various product design and engineering teams in IPR creation, industry and network standards and technological forecasting.

We are an active participant in several SDOs and have assisted with the development of worldwide standards in many technologies. Our SDO activities are primarily in the areas of broadband access, optical networking and synchronization. This includes involvement with the ITU-T, ATIS, ETSI, ONF and the BBF. We are involved in the evolution of optical access technologies on next-generation PON. We also continue to be involved in driving optical networking, synchronization and SDN standardization and participate in industry-wide interoperability, performance-testing and system-level projects related to those standards in BBF and ONF. We are also members of MEF, TIA, CableLabs and TIP.

*For a discussion of risks associated with our research and development activities, see “Risk Factors – We must continue to update and improve our products and develop new products to compete and to keep pace with improvements in communications technology” and “Risk Factors – We engage in research and development activities to develop new, innovative solutions and to improve the application of developed technologies, and as a consequence may miss certain market opportunities enjoyed by larger companies with substantially greater research and development effort and which may focus on more leading edge development,” in Part I, Item 1A of this report.*



## **Manufacturing and Operations**

The principal steps in our manufacturing process include the purchase and management of materials, assembly, testing, final inspection, packing and shipping. We purchase parts and components for the assembly of some products from a large number of suppliers through a worldwide sourcing program. Additionally, we manage a process that identifies the components that are best purchased directly by contract manufacturers for use in the assembly of our products to achieve manufacturing efficiency, quality and cost objectives. Certain key components used in our products are currently available from a single source, and other key components are available from only a limited number of sources. In the past, we have experienced delays in the receipt of certain key components, which has resulted in delays in related product deliveries. We attempt to manage these risks through developing alternative sources, by staging inventories at strategic locations, through engineering efforts designed to prevent the necessity of certain components and by maintaining close contact and building long-term relationships with our suppliers. *See Inventory included in Part I, Item 1 of this report for additional information.*

We rely on subcontractors for the assembly and testing of certain printed circuit board assemblies, sub-assemblies, chassis, enclosures and equipment shelves, and to purchase some of the raw materials used in such assemblies. We typically manufacture our lower-volume, higher-mix products and build and test product prototypes and many of our initial production units at our manufacturing site in Huntsville, Alabama. We later transfer the production of higher-volume, lower-mix assemblies to our subcontractors. Subcontract assembly operations can lengthen fulfillment cycle times, but we believe we can respond more rapidly to uncertainties in incoming order rates by selecting assembly subcontractors that have significant reserve capacity and flexibility. Our subcontractors have generally proven to be flexible and able to meet our quality requirements.

We ship the majority of products to our U.S. customers from our facilities in Huntsville, Alabama. The majority of international customers are being served from our logistics hubs in Meiningen, Germany and York, United Kingdom. We also ship directly from subcontractors to a number of customers in the U.S. and international locations. Most of our facilities are certified pursuant to the most current releases of ISO 9001, TL 9000, ISO 14001 and ISO 27001. Our Huntsville, Alabama facilities and many of our key suppliers are C-TPAT certified. Our products are also certified to certain other customers' industry and privacy standards, including those relating to the emission of electromagnetic energy and safety specifications.

Our dependence on a limited number of suppliers for certain raw materials, key components and ODM products, has prevented and may in the future prevent us from delivering our products on a timely basis, which has had and may continue to have a material adverse effect on operating results and could have a material adverse effect on customer relations.

*For a discussion of risks associated with manufacturing activities, see “Risk Factors – Our strategy of outsourcing a portion of our manufacturing requirements to subcontractors located in various international regions may result in us not meeting our cost, quality or performance standards” and “Risk Factors – Our dependence on a limited number of suppliers for certain raw materials, key components and ODM products, combined with supply shortages, have prevented and may continue to prevent us from delivering our products on a timely basis, which has had and may continue to have a material adverse effect on operating results and could have a material adverse effect on customer relations,” in Part I, Item 1A of this report.*

## **Competition**

We compete in markets for networking and communications services and solutions for Service Providers, businesses, government agencies and other organizations worldwide. Our products and services provide solutions supporting voice, data and video communications across fiber-, copper-, and wireless-based infrastructure, as well as across wide area networks, local area networks and the internet.

We compete with a number of companies in the markets we serve. In the Subscriber Solutions & Experience category, our primary competitors include Calix, Ciena, DZS, Nokia, eero, and a growing number of Asian based ODM's selling direct to carriers. In our Access & Aggregation solutions category, key competitors include Nokia, Calix, Huawei, ZTE Corporation, DZS, Vecima, Harmonic and Microchip. Main competitors of our Optical Networking solutions portfolio are Ciena, Cisco, Ekinops, Huawei, Infinera, Nokia, Ribbon Communications and ZTE Corporation.

Across our markets and segments, the principal competitive factors can include, among others:

- differentiated feature functionality of our products and solutions;
- price performance of our solutions and lowest total cost of ownership for customers;
- quality and reliability of our products;
- financial stability and health of our company;
- ability to manage supply chains and produce and deliver products in accordance with customer wish date;
- ability to innovate and provide customers with differentiated solutions, advantageous to their business model;

- compelling technology roadmap and research and development power;
- industry thought leadership and time to market with innovative solutions;
- country of origin for products and solutions and trusted supplier status;
- security of enterprise value chain, from design to product development, support processes, to products and solutions;
- energy consumption of our products and commitment to sustainability, supporting customers in achieving their climate goals;
- customer relationship and incumbency;
- ability to deliver comprehensive solutions with a high degree of automation and ease-of-use, including hardware, software and services; and
- broad range of services and support capabilities.

*For further discussion of risks associated with our competition, see “Risk Factors – We must continue to update and improve our products and develop new products to compete and to keep pace with improvements in communications technology” and “Risk Factors – We compete in markets that have become increasingly competitive, which may result in reduced gross profit margins and market share,” in Part I, Item 1A of this report.*

### **Seasonality**

We experience quarterly fluctuations in our revenue that occur due to many factors, including the varying budget cycles and seasonal buying patterns of our customers. More specifically, our customers tend to spend less in the first fiscal quarter as they are finalizing their annual capital spending budgets. These seasonal effects may continue to vary and do not always correlate to our operating results. Accordingly, they should not be considered a reliable indicator of our future revenue or operating results. Additionally, the effects of the dynamic supply and demand environment we have experienced in recent periods may impact the traditional seasonality in our business. Due to the stabilizing supply chain environment and the associated reduction in lead times, our customers began to optimize their inventories in the past fiscal year. This has led to a slowdown in ordering behavior. In addition, the continuing uncertain macroeconomic conditions related to inflationary pressures and elevated interest rates has impacted the spending behavior of our customers. However, customers have started to replenish their inventories to meet increasing demand; therefore, we expect order and billings to steadily increase in 2025.

### **Foreign Currency**

Transactions with customers that are denominated in foreign currencies are recorded using the appropriate exchange rates from throughout the year. Assets and liabilities denominated in foreign currencies are remeasured at the balance sheet dates using the closing rates of exchange between those foreign currencies and the functional currency with any transaction gains or losses reported in other income, net. Our primary exposures to foreign currency exchange rate movements are with the euro and the British pound sterling. Adjustments resulting from translating financial statements of international subsidiaries are recorded as a component of accumulated other comprehensive income.

### **Inventory**

A substantial portion of our shipments in any fiscal period relate to orders received and shipped within that fiscal period for customers under agreements containing non-binding purchase commitments. Further, a significant percentage of orders require delivery within a few days.

We maintain substantial inventories of raw materials for long lead time components to support this demand and avoid expedite fees. In recent years, inflationary pressures on input costs, such as raw materials and labor, and distribution costs negatively impacted our operating results. However, inflationary pressures on our supply chain have eased somewhat, which has led to reductions in cost premiums on raw material costs and freight. We continue to support our customer demand for our products by working with our suppliers, contract manufacturers, distributors, and customers to address and to limit the disruption to our operations and order fulfillment. Additionally, maintaining sufficient inventory levels to assure prompt delivery of our products increases the amount of inventory that may become obsolete and increases the risk that the obsolescence of this inventory may have an adverse effect on our business and operating results. Also, not maintaining sufficient inventory levels to ensure prompt delivery of our products may cause us to incur expediting costs to meet customer delivery requirements, which may negatively impact our operating results.

*For further discussion of risks associated with managing our inventory, see “Risk Factors – Managing our inventory is complex and may include write-downs of excess or obsolete inventory,” in Part I, Item 1A of this report.*

## **Government Regulation**

### *Telecommunications Matters*

Our products that are incorporated into wireless communications systems must comply with various government regulations, including those of the FCC. We strive to deliver innovative network access solutions that lower the total cost and reduce the time of deploying services, increase the level of performance achievable with established infrastructures, reduce operating and capital expenses for our customers, increase network bandwidth and functionality, and extend network reach. Our development process is conducted in accordance with ISO 9001, TL 9000, ISO 14001, and ISO 27001, all of which are international standards for quality and environmental management systems.

### *Environmental Matters*

Our products must comply with various regulations, directives and standards established by communications authorities in various countries, as well as those of certain international bodies. Environmental legislation in particular within the EU may increase our cost of doing business as we amend our products to comply with these requirements. This includes the CSRD directive, the CBAM regulation, the WEEE directive and the ESPR adopted by the EU. We are also subject to disclosure and related requirements that apply to the presence of conflict minerals in our products or supply chain. We continue to implement measures to comply with these and other similar directives and regulations from additional countries.

### *Global Trade*

As a global company, the import and export of our products and services are subject to various laws and regulations, including international treaties, U.S. trade policy, tariffs, export controls and sanctions laws, customs regulations, and local trade rules around the world. Such laws, rules, and regulations may delay the introduction of some of our products or impact our competitiveness through restricting our ability to do business in certain places or with certain entities and individuals, or the need to comply with domestic preference programs, laws concerning transfer and disclosure of sensitive or controlled technology or source code, unique technical standards, localization mandates, and duplicative in-country testing and inspection requirements. Furthermore, material changes in such laws, rules or regulations or the failure by us to comply with such laws, rules and regulations could limit our ability to conduct business globally.

*For further discussion of risks associated with government regulation, see “Risk Factors – Changes in trade policy in the U.S. and other countries, including the imposition of additional tariffs and the resulting consequences, may adversely impact our gross profits, gross margins, results of operations and financial condition,” in Part I, Item 1A of this report.*

### *Other Regulations*

As a company with global operations, we are subject to complex foreign and U.S. laws and regulations, including anti-bribery and corruption laws; antitrust or competition laws; data privacy laws and regulations, such as the GDPR and the California Consumer Privacy Act; and cybersecurity laws and regulations, among others. We have policies and procedures in place to promote compliance with these laws and regulations. To date, our compliance actions and costs relating to these laws, rules and regulations have not resulted in a material cost or effect on our capital expenditures, earnings or competitive position. Government regulations are subject to change and, accordingly, we are unable to assess the possible effect of compliance with future requirements or whether our compliance with such regulations will materially impact our business in the future.

*For further discussion of risks associated with government regulation, see “Risk Factors – We are subject to complex and evolving U.S. and foreign laws, regulations and standards governing the conduct of our business. Violations of these laws and regulations may harm our business, subject us to penalties and to other adverse consequences,” in Part I, Item 1A of this report.*

## **Environmental, Social, and Governance**

We believe that as we follow our corporate vision to enable a fully connected world, we must continue to be responsible corporate citizens. As more people are connected, work and life can be accomplished using fewer resources. We have established ESG and sustainability programs and policies that encompass the elements of Environmental, Health & Safety, Ethics, Labor, and the related management systems in alignment with the ISO 26000 Guidelines. We are committed to operating in full compliance with the laws, rules and regulations of all the countries in which we operate. The major aims of our program are reducing waste and emissions, maximizing energy efficiency and productivity and minimizing practices that can adversely affect utilization of natural resources by coming generations. Our ESG programs are important to us, consequently, ESG is a dedicated focus throughout the company. We have Board oversight including an ESG Committee, strong management support and engagement from our employees.

Areas of focus in our environmental sustainability program include:

- dedicated ESG Committee of the Board of Directors;
- maintained our mature environmental management system certified to ISO 14001:2015;

- advanced our Energy Management program with ISO 50001 readiness for the Huntsville site for 2025;
- submitted our Net Zero targets to SBTi in 2023 and got them approved in 2024;
- continued purchase of Renewable Energy Credits, equaling ~20% of total Adtran energy consumption;
- continued using IntegrityNext, a platform to engage suppliers to obtain an ESG assessment aligned with international standards, allowing us to monitor ESG risks in our supply chain;
- established Eco-Design guidelines in the Technology organization;
- continued with Life Cycle Assessments across the portfolio;
- continued with packaging optimization to reduce related materials and waste;
- increased visibility of our program internally and externally through customer engagement, joining peer sustainability groups, offering training to team members and web site enhancements;
- continued with the external CDP and EcoVadis assessments.

We will issue an ESG report for 2024 in early 2025, which will use the EU ESRS guidelines, in order to fulfill the reporting obligations set forth in the EU CSRD. Within the report is information on our environmental, social and governance programs, including quantitative and qualitative data for both Adtran Networks and the Company. This information can also be found on our website at: [www.adtran.com/en/about-us/esg/environmental](http://www.adtran.com/en/about-us/esg/environmental). The information found on our website is not incorporated by reference in this report or any other report that we file or furnish to the SEC.

*For further discussion of risks associated with government regulation, see “Risk Factors – Expectations relating to environmental, social and governance considerations expose the Company to potential liabilities, increased costs, reputational harm, and other adverse effects on the Company’s business,” in Part I, Item 1A of this report.*

### **Human Capital**

We believe that our most valuable asset is our people. To ensure we continue to succeed, our objective is to be able to recruit, hire and retain top talent. Our ability to attract and retain a high-quality workforce is dependent on our ability to maintain a diverse, equitable and inclusive workplace that provides opportunities for our employees to learn and grow in their careers. This is supported by competitive compensation and benefits, along with strong community service and other programs that enable employees to build connections within the community.

As part of our Business Efficiency Program, on October 25, 2023, all employees were informed of certain personnel measures, which included the reduction of salary for select management, a reduction of approximately 5% of the workforce, an early retirement program and a hiring freeze. The Company provided the employees subject to the salary reductions with stock option awards for retention purposes. Our Chief Executive Officer voluntarily reduced his salary by 50% and did not receive any stock option awards under the Business Efficiency Program. As of December 31, 2024, the Company had substantially completed the goals outlined in our Business Efficiency Program except for the Company's aim of selling its headquarters. *For additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Business Efficiency Program” in Part II, Item 7 of this report.*

As of December 31, 2024 we had 3,234 total employees, of which 3,091 full-time employees and 143 part-time employees. We had 1,133 employees in the U.S. and 2,101 employees in our international subsidiaries located in North America, Latin America, EMEA and APAC regions. We also utilized 240 contractors and numerous temporary employees domestically and internationally in various manufacturing, engineering, sales and general and administrative capacities. We believe that our relationship with our employees is good. We have a diverse employee base located in 37 countries. We pride ourselves on a highly educated workforce, and the majority of our employees serve in engineering, information technology and technical roles within the organization.

As of December 31, 2024 approximately 90 employees (76%) of Adtran GmbH were subject to collective bargaining agreements of either the Association of Metal and Electrical Industry in Berlin and Brandenburg e.V. or NORDMETALL Association of Metal and Electrical Industry e.V. As of December 31, 2024, Adtran Networks had 94 employees in Switzerland, France, Italy, Finland and Spain that were subject to collective bargaining agreements of different associations. None of our other employees are subject to collective bargaining agreements.

Additionally, we continually work to recruit technical talent in diverse communities through our cooperative education program. This program seeks to identify college students that major in relevant technological areas and expose them to our work environment on an alternating semester basis. Our goal is to retain as many of these students as possible for full-time employment after graduation to build our organization's future.

### *Workplace Diversity*

We believe that maintaining a diverse and inclusive workforce is important to the success of our business. We encourage an environment where individuality is embraced regardless of age, gender, identity, race, sexual orientation, physical or mental ability, ethnicity and perspective and where each employee is accepted.

Our Board of Directors is comprised of seven members, two of which are females and three of which are ethnically diverse. Additionally, the Board of Directors has a diversity of skills and experience with respect to accounting and finance, management and leadership, vision and strategy, business operations, business judgment, crisis management, risk assessment, industry knowledge, corporate governance and global markets.

### *Health, Safety and Wellness*

The well-being of our employees is paramount to the continued success of our business. To this end, we are committed to each of our employees' health, safety and wellness. We provide our employees with access to various health and wellness benefits designed to enable them and their family members to have affordable access to health, dental and vision insurance. Additionally, we offer access to many programs that provide additional monetary support in the event of a qualifying incident, including accident insurance, life insurance and hospital indemnity insurance, among others. We understand that mental health is an essential aspect of our employees' well-being and we offer an employee assistance program at no charge to employees and their family members. This program provides access to qualified personnel to address various issues such as grief, financial stress, family and emotional issues.

### *Compensation and Benefits*

We continually work to provide a competitive compensation and benefits program as this plays a key role in our ability to attract and retain a highly skilled workforce. In addition to salaries, these programs, which vary by country/region, include long-term equity incentive awards with certain vesting requirements, deferred compensation plans (which are offered to certain members of executive management), a 401(k) plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, paid volunteer time off, employee assistance program and tuition assistance. Additionally, at our global headquarters in Alabama, we offer our employees certain on-site services, including nurse practitioner care and a fitness center, among others.

### *Talent Development*

We invest significant resources to develop the talent needed to remain a market-leading global supplier of broadband infrastructure. We offer numerous training opportunities on both technical and professional development topics. We utilize tools and processes to provide performance feedback which helps develop high potential employees into becoming our future leaders.

Our Career Development Program provides an opportunity for employees to shape their career journey. The program provides opportunities for employees to develop competencies in areas including technology, business acumen, emotional intelligence, design and systems thinking. As employees increase their competencies in these areas and master skills within their individual roles, this program offers a variety of career advancement paths.

### **Intellectual Property**

We develop and own a significant amount of intellectual property. We hold over 1,000 patents worldwide related to our products and over 50 additional pending patent applications. Our patents expire at various dates between 2025 and 2041. We continue to seek additional patents related to our research and development activities. We do not derive any material amount of revenue from the licensing of our patents.

The name "Adtran" is a registered trademark of ours, as is the name "SmartRG" and a number of our product identifiers and names. We also claim rights to a number of unregistered trademarks.

We protect our intellectual property and proprietary rights in accordance with good legal and business practices. We believe, however, that our competitive success will not fully depend on the ownership of intellectual property, but instead will depend primarily on the innovative skills, technical competence and marketing abilities of our personnel.

The communications industry is characterized by the existence of an ever-increasing volume of patent litigation and licensing activities. We have received, and may continue to receive, notices of claims alleging that we are infringing upon patents or other intellectual property. We cannot predict whether we will prevail in any claims or litigation over alleged infringements, or whether we will be able to license any valid and infringed patents, or other intellectual property, on commercially reasonable terms. It is possible that such litigation may result in significant legal costs and judgments and that intellectual property infringement claims, or related litigation against or by us could have a material adverse effect on our business and operating results.

*For a discussion of risks associated with our intellectual property and proprietary rights, see "Risk Factors – Our failure to maintain rights to intellectual property used in our business could adversely affect the development, functionality, and commercial value of our products" in Part I, Item 1A of this report.*

### **Information about our Executive Officers**

Our executive officers as of March 3, 2025, are listed below, along with their ages on that date, positions and offices held with the Company, and principal occupations and employment, focused primarily on the past five years (and all positions within the Company).

<b>Thomas R. Stanton</b>	Age 60
2007 to present	Chief Executive Officer and Chairman of the Board
2023 to present	Chief Executive Officer and Management Board member of Adtran Networks
<b>Ulrich Dopfer</b>	Age 51
2023 to present	Senior Vice President, Chief Financial Officer, Secretary and Treasurer
	Chief Financial Officer and Management Board member of Adtran Networks
2015 to 2023	Chief Financial Officer of Adtran Networks
<b>Christoph Glingener</b>	Age 56
2023 to present	Chief Technology Officer
	Chief Technology Officer and Management Board member of Adtran Networks
2022 to 2023	Chief Executive Officer of Adtran Networks
2007 to 2022	Chief Technology Officer of Adtran Networks
<b>James D. Wilson, Jr.</b>	Age 54
2019 to present	Chief Revenue Officer
2015 – 2019	Senior Vice President of Technology and Strategy
2006 – 2015	Senior Vice President and General Manager (Carrier Networks)

There are no family relationships among our directors or executive officers. Adtran Networks is a majority-owned subsidiary of the Company.

### **Availability of Information**

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information as required with the SEC. The SEC maintains an internet website, <http://www.sec.gov>, that contains reports, proxy and information statements, and other information regarding issuers, including Adtran, that file electronically with them. Additionally, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, if applicable, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), are available free of charge under the Investor Relations section of our website, [www.adtran.com](http://www.adtran.com), as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The reference to our website address does not constitute incorporation by reference of the information contained on the website, which information should not be considered part of this report.

## **ITEM 1A. RISK FACTORS**

*Our business involves substantial risks. Any of the risk factors described below or elsewhere in this report could significantly and adversely affect our business prospects, financial condition and results of operations. The risks described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem to be immaterial may also adversely affect us.*

### **Risks related to our financial results and Company success**

*We are obligated to comply with covenants related to our Wells Fargo Credit Agreement that restrict our operating activities, and the failure to comply with such covenants could result in defaults that accelerate our debt.*

The Wells Fargo Credit Agreement governing our indebtedness contains restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all its debt. Our Wells Fargo Credit Agreement along with the amendments thereto, contain various restrictive covenants which include, among others, provisions limiting our ability to:

- pay dividends or make other distributions or repurchase capital stock;
- incur or guarantee additional debt;
- make certain distributions, investments and other restricted payments;
- engage in transactions with affiliates;
- engage in mergers or consolidations;
- grant or incur liens on assets;
- dispose of assets;
- make loans and investments;
- modify our organization documents; and
- enter into certain restrictive agreements.

In addition, the Wells Fargo Credit Agreement contains customary events of default, such as misrepresentation and a default in the performance or observance of any covenant (subject to customary cure periods and materiality thresholds).

In addition, certain covenants in the Wells Fargo Credit Agreement, including covenants set forth in the amendments thereto, require us, among other things, to:

- maintain certain leverage ratios; and
- maintain certain fixed charge coverage ratios;

As a result of these restrictions, we have been and may be:

- limited in how we conduct our business;
- limited in how much additional funding we can draw on our line of credit;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; and
- unable to compete effectively or to take advantage of new business opportunities.

Our failure to comply with the covenants set forth in the Credit Agreement could result in defaults that accelerate the payment under such debt which would likely have a material adverse impact on our financial condition and results of operations. In addition, an event of default under the Credit Agreement would permit the lenders to terminate all commitments to extend further credit under the applicable facility. Furthermore, if we were unable to repay the amounts due and payable under the Credit Agreement, the lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. In addition, these defaults could impair our ability to access debt and equity capital markets. *For additional information on our debt covenants, see "Liquidity & Capital Resources" in Part II, Item 7 of this report.*

***We have experienced significant fluctuations in revenue and such fluctuations may continue. Fluctuations in revenue can cause our operating results in a given reporting period to be higher or lower than expected.***

As a result of the many factors discussed in this report, our revenue for a particular quarter is difficult to predict and will fluctuate from quarter to quarter. Visibility into customer spending levels is often uncertain, spending patterns are subject to change, and reductions in our expense levels can take significant time to implement. Typically, our customers request product delivery within a short period following our receipt of an order. Consequently, we do not typically carry a significant order backlog and are dependent upon obtaining orders and completing delivery in accordance with shipping terms that are predominantly within each quarter to achieve our targeted revenue. Our deployment/installation cycle can also vary depending on the customer's schedule, site readiness, network size and complexity and other factors, which can cause our revenue to fluctuate from period to period. Our ability to meet financial expectations could also be affected if the variable revenue patterns seen in prior quarters recur in future quarters. We have experienced periods of time during which manufacturing issues have delayed shipments, leading to variable shipping patterns. In addition, to the extent that manufacturing issues and any related component shortages continue to result in delayed shipments in the future, and particularly in quarters in which we and our subcontractors are operating at higher levels of capacity, it is possible that revenue for a quarter could be adversely affected, and we may not be able to remediate the conditions within the same quarter.

Under certain market conditions, long manufacturing lead times have caused our customers to place the same order multiple times. When multiple ordering occurs, along with other factors, it may cause difficulty in predicting our revenue and, as a result, could impair our ability to manage inventory effectively.

We plan our operating expense levels based primarily on forecasted revenue levels. Furthermore, our expenses and the impact of long-term commitments are relatively fixed in the short term. A shortfall in revenue has led and could again in the future lead to operating results being below expectations, partially due to an inability to quickly reduce these fixed expenses in response to short-term business changes.

Our customers in the subscriber solutions & experience technology category are increasingly focusing on working capital optimization and depletion of overstocked inventories, which has impacted and may continue to materially impact demand in that category. Our future revenue growth will depend, in part, on securing increased orders from customers.

***Accurately matching necessary inventory levels to customer demand within the current environment is challenging, and we may incur additional costs or be required to write off significant inventory that would adversely impact our results of operations.***

In recent years, we received unprecedented orders for our products and services, during a period when the supply environment was constrained. We took a number of steps to mitigate these challenges, including extending our purchase commitments and placing non-cancellable, advanced orders with or through suppliers, particularly for long lead-time components. As a result of this strategy and the inclusion of Adtran Networks' inventory following the closing of the Business Combination, our inventory increased to \$427.5 million at the end of fiscal 2022. However, our inventory reduced to \$269.3 million at the end of fiscal 2024, which is more in line with historical levels. These inventory practices and their associated costs have had, and could in the future continue to have, an adverse impact on our cash from operations.

In addition, these inventory practices, particularly when considered in the context of our backlog, further introduce obsolescence risk that can impact our results of operations and financial condition. During fiscal 2023 and fiscal 2024, certain customers that had earlier placed significant advanced orders, rescheduled deliveries for or cancelled a portion of such orders. Accordingly, our inventory needs for a particular period can fluctuate and be difficult to predict. If our customers were to cancel or delay orders for extended periods, inventory could become obsolete, and we could be required to write off or write down the inventory associated with those orders. In addition, if customers were to cancel or delay existing or forecasted orders for which we have significant outstanding commitments to our contract manufacturers or suppliers, we may be required to purchase inventory under these commitments that we are unable to sell. If we are required to write off or write down a significant amount of inventory, our results of operations for the applicable period would be materially adversely affected. For example, we recorded charges for excess and obsolete inventory of \$8.6 million and \$24.3 million in fiscal 2024 and 2023, respectively, primarily related to a strategy shift which included discontinuance of certain product lines in connection with the Business Efficiency Program. Our inability to effectively manage the matching of inventory with customer demand, particularly within any supply constrained environment, could adversely impact our results of operations and financial condition, and could result in loss of revenue, increased costs, or delays that could adversely impact customer satisfaction.

***The lengthy sales and approval process required by Service Providers for new products has resulted in fluctuations in our revenue and may result in fluctuations of future revenue and financial results.***

In the industry in which we compete, sales and approval cycles are often lengthy. Selling efforts often involve a significant commitment of time and resources by us and our customers that may include extensive product testing, laboratory or network certification, or region-specific product certification and homologation requirements for deployment in networks. Additionally, a supplier must first obtain product approval from a major or other Service Provider to sell its products to these Service Providers. This process can last from six to eighteen months, or longer, depending on the technology, the Service Provider and the demand for the product from the Service Provider's subscribers. Consequently, we are involved in a constant process of submitting for approval succeeding generations of



products, as well as products that deploy new technology or respond to new technology demands from a major or other Service Provider. We cannot be certain that we will obtain these approvals in the future or that sales of these products will continue to occur. Any attempt by a major or other Service Provider to seek out additional or alternative suppliers, or to undertake, as permitted under applicable regulations, the production of these products internally, could have a material adverse effect on our operating results. Furthermore, the delay in sales until the completion of the approval process, the length of which is difficult to predict, has and may continue to result in fluctuations of revenue and uneven operating results from quarter to quarter or year to year. For example, we have seen a decrease in volume of sales activity due to customers' focus on reducing inventory levels in our domestic ADTRAN, Inc. operations, which has impacted and may continue to materially impact demand in that category. Further, once customer approval or certifications are met, our supply chain customers typically do not guarantee us a minimum, or any, volume of sales.

***We require a significant amount of cash to service our indebtedness, our payment obligations to Adtran Networks shareholders under the DPLTA, and other obligations.***

Our ability to generate cash depends on many factors beyond our control and any failure to service our outstanding indebtedness could harm our business, financial condition and results of operations. Furthermore, we have entered into a DPLTA with Adtran Networks. Additionally, pursuant to the terms of the DPLTA, each Adtran Networks shareholder (other than the Company) has received an offer to elect either (1) to remain an Adtran Networks shareholder and receive from us an Annual Recurring Compensation payment, or (2) to receive Exit Compensation. For the year ended December 31, 2024, approximately 831 thousand shares of Adtran Networks stock were tendered to the Company. This resulted in total Exit Compensation payments of approximately €15.7 million, or approximately \$17.4 million, based on exchange rates at the time of the transactions, being paid to Adtran Networks shareholders. Any failure to satisfy our payment obligations under the DPLTA could harm our business, financial condition and results of operations.

Our ability to make payments on and to refinance our indebtedness, to cover our payment obligations under the DPLTA, and to fund working capital needs and planned capital expenditures depends on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, business, legislative, regulatory and other factors that are beyond our control. If our business does not generate sufficient cash flow from operations, we do not sufficiently reduce costs in a timely manner, or if our future borrowings are not available to us in an amount sufficient to enable us and our subsidiaries to pay our indebtedness or to fund our other liquidity needs, we may need to raise additional debt or equity capital, refinance all or a portion of our indebtedness, sell assets, reduce or delay capital investments, any of which could have a material adverse effect.

The Company experienced revenue declines in 2024. There can be no assurance that the Company will be successful in effecting its plans to preserve cash liquidity and maintain compliance with the Company's covenants on commercially reasonable terms or at all. We may need to further reduce capital expenditure and/or take other steps to preserve working capital in order to ensure that we can meet our needs and obligations and maintain compliance with our debt covenants. Our ability to raise additional debt capital or to restructure or refinance our indebtedness will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments or preferred stock may limit or prevent us from taking any of these actions.

In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness or dividend payments on any future outstanding shares of preferred stock would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness or otherwise raise capital on commercially reasonable terms or at all. Our inability to generate sufficient cash flow to satisfy our debt service, payment obligations to Adtran Networks shareholders under the DPLTA, and other obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, would have an adverse effect, which could be material, on our business, financial condition and results of operations. Furthermore, if we raise additional funds through the issuance of equity or securities convertible into equity, or undertake certain transactions intended to address our existing indebtedness, our existing stockholders could suffer dilution in their percentage ownership of the Company, or our leverage and outstanding indebtedness could increase. Current capital market conditions, including the impact of inflation, have increased borrowing rates and can be expected to significantly increase our cost of capital as compared to prior periods should we seek additional funding.

***The terms of the DPLTA may have a material adverse effect on our financial results and condition.***

The DPLTA between the Company, as the controlling company, and Adtran Networks, as the controlled company, which was executed on December 1, 2022, became effective on January 16, 2023, as a result of its registration with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) at the registered seat of Adtran Networks (Jena).

Under the DPLTA, subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, (i) the Company is entitled to issue binding instructions to the management board of Adtran Networks, (ii) Adtran Networks will transfer its annual profit to the Company, subject to, among other things, the creation or dissolution of certain reserves, and (iii) the Company will generally absorb the annual net loss incurred by Adtran Networks. The Company's payment obligation in satisfaction of the requirement that it absorb Adtran Networks' annual net loss applied for the first time to the net loss generated in 2023.

Additionally, and subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, the DPLTA provides that Adtran Networks shareholders (other than the Company) be offered, at their election, (i) to put their Adtran Networks shares to the Company in exchange for compensation in cash of €17.21 per share, plus guaranteed interest (the “Exit Compensation”), or (ii) to remain Adtran Networks shareholders and receive a recurring compensation in cash of €0.52 per share for each full fiscal year of Adtran Networks (the “Annual Recurring Compensation”). The guaranteed interest under the Exit Compensation is calculated from the effective date of the DPLTA to the date the shares are tendered, less any Annual Recurring Compensation paid. The guaranteed interest rate is 5.0% plus a variable component that was 3.37% as of December 31, 2024. The Annual Recurring Compensation is due on the third banking day following the ordinary general shareholders’ meeting of Adtran Networks for the respective preceding fiscal year (but in any event within eight months following expiration of the fiscal year). With respect to the 2023 fiscal year, Adtran Networks’ ordinary general shareholders’ meeting occurred on June 28, 2024, and therefore, the Annual Recurring Compensation was paid on July 3, 2024. With respect to the 2024 fiscal year, Adtran Networks’ ordinary general shareholder meeting is scheduled for June 27, 2025, and therefore, the Annual Recurring Compensation will be due on July 2, 2025. The adequacy of both forms of compensation has been challenged by minority shareholders of Adtran Networks via court-led appraisal proceedings under German law and it is possible that the courts in such appraisal proceedings may adjudicate a higher Exit Compensation (including interest thereon) or Annual Recurring Compensation than agreed upon in the DPLTA. Our obligation to pay Annual Recurring Compensation under the DPLTA is a continuing payment obligation, which will amount to approximately €8.9 million or \$9.3 million (based on the exchange rate as of December 31, 2024) per year assuming none of the minority Adtran Networks shareholders were to elect Exit Compensation. The foregoing amounts do not reflect any potential increase in payment obligations that we may have depending on the outcome of ongoing appraisal proceedings in Germany. For the year ended December 31, 2024, a total of 831 thousand shares of Adtran Networks stock was tendered to the Company and Exit Compensation payments of approximately €15.7 million or approximately \$17.4 million, based on exchange rates at the time of the transactions, were paid to Adtran Networks shareholders. Assuming all the minority holders of currently outstanding Adtran Networks shares were to elect the first option, we would be obligated to make aggregate Exit Compensation payments, including guaranteed interest, of approximately €333.2 million or approximately \$344.9 million, based on an exchange rate as of December 31, 2024. In addition to our cash and cash equivalents and the credit facility, we may fund a portion or all of the Annual Recurring Compensation and Exit Compensation through the sale of securities or additional alternative funding sources, if available. There can be no assurances that we would be successful in effecting these actions at commercially reasonable terms or at all. If we cannot raise additional funds as needed, it could have a material adverse impact on our financial results and financial condition. Additionally, the payment of the Annual Recurring Compensation and Exit Compensation could have a material adverse impact on our financial results and financial condition. See *“Liquidity and Capital Resources” in Part II, Item 7 of this report for additional information.*

The opportunity for minority Adtran Networks shareholders to tender Adtran Networks shares in exchange for Exit Compensation had been scheduled to expire on March 16, 2023. However, due to the appraisal proceedings that were initiated in accordance with applicable German law in 2023, this time period for tendering shares has been extended pursuant to the German Stock Corporation Act (*Aktiengesetz*) and will end two months after the date on which a final decision in such appraisal proceedings has been published in the Federal Gazette (*Bundesanzeiger*). The Company expects to receive a procedural decision during 2025 that will likely be appealed. The date of a decision by the court on the merits of the case is uncertain, but it is unlikely that such decision will be rendered in 2025. Thereafter an expected appeal process will take a further 12-24 months to resolve.

The amount of this Annual Recurring Compensation payment obligation pursuant to the DPLTA could exceed the amount of dividends that otherwise might be distributed by Adtran Networks to minority shareholders and would even have to be paid if Adtran Networks incurs losses, which could have a material adverse impact on our financial results and financial condition.

***Our significant indebtedness exposes us to various risks.***

As of December 31, 2024, our borrowings under the revolving line of credit were \$189.6 million, of which approximately \$141.0 million was borrowed by ADTRAN, Inc. and \$48.6 million was borrowed by Adtran Networks. The credit facilities provided under the Credit Agreement mature in July 2027, but ADTRAN, Inc. may request extensions subject to customary conditions. As of December 31, 2024, we had a total of \$3.6 million in letters of credit under ADTRAN, Inc. outstanding under the Credit Agreement, leaving a net amount (after giving effect to the \$189.6 million of outstanding borrowings described above) of \$180.8 million available for future borrowings; however, as of December 31, 2024, the Company was limited to additional borrowings of \$56.1 million based on debt covenant compliance metrics. See “Cash Requirements” in Part II, Item 7 of this report for additional information.

Our indebtedness has and may continue to adversely affect our operations and liquidity. Our level of indebtedness:

- could make it more difficult for us to pay or refinance our debts as they become due during adverse economic and industry conditions because we may not have sufficient cash flows to make its scheduled debt payments;
- has caused us and may continue to cause us to use a larger portion of our cash flow to fund interest and principal payments, reducing the availability of cash to fund working capital, capital expenditures, research and development and other business activities;

- has contributed to our decision to suspend quarterly dividend payments to the Company's stockholders;
- limits our ability to assume debt in a future acquisitions. Specifically, our Credit Agreement with Wells Fargo limits the amount of debt we can assume in an acquisition. This could limit our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions;
- could cause us to be more vulnerable to general adverse economic and industry conditions;
- could cause us to be disadvantaged compared to competitors with less leverage; and
- limits our ability to borrow additional money. Specifically, our Credit Agreement with Wells Fargo limits our ability to borrow additional money, which could limit our ability to fund working capital, capital expenditures, research and development and other general corporate needs in the future.

Our ability to satisfy our debt obligations and renew the credit facility is dependent upon our future performance and other risk factors discussed in this section. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If we fail to pay interest on, or repay, our borrowings under the Wells Fargo credit facility when required, we will be in default under the applicable loans, and may also suffer an event of default under the terms of other borrowing arrangements that we may enter into from time to time. We are attempting to further reduce our operating expenses in order to fund our obligations, and we may be forced to further reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We cannot assure you that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled obligations or that these actions would be permitted under the terms of our current or future debt agreements. If we fail to implement these reductions or are unable to achieve sufficient operating results and resources, we could face substantial liquidity challenges and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or obtain sufficient proceeds from those dispositions to meet our debt service and other obligations when due. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

We may also incur additional long-term debt and working capital lines of credit to meet future financing needs, which would increase our total indebtedness. Although the terms of its existing and future credit agreements and of the indentures governing its debt contain restrictions on the incurrence of additional debt, including secured debt, these restrictions are subject to a number of important exceptions and debt incurred in compliance with these restrictions could be substantial. If we or our restricted subsidiaries incur significant additional debt, the relative risks may intensify.

***We depend heavily on sales to certain customers; the loss of any of these customers or a significant project would significantly reduce our revenue and net income.***

Historically, a large percentage of our revenue has been made to major Service Providers and larger independent communications companies. As long as the major and larger independent communications companies represent such a substantial percentage of our total revenue, our future success will significantly depend upon certain factors which are not within our control, including:

- the timing and size of future purchase orders, if any, from these customers;
- changes in strategic plans and capital budgets of these customers;
- the product requirements of these customers;
- the subscriber take rate, including subscriber loss or churn, of our customers;
- the financial and operational success of these customers;
- the impact of legislative and regulatory changes on these customers;
- consolidation, acquisition of, or corporate reorganization among these customers;
- the success of these customers' services deployed using our products; and
- the impact of work stoppages at these customers.

In the past, revenue generated by our large customers has fluctuated significantly from quarter to quarter and year to year, and it may continue to fluctuate in the future. The loss of, or a significant reduction or delay in, revenue to any such customer or the occurrence of revenue fluctuations could have a material adverse effect on our business and results of operations. Further, any attempt by a major or other Service Provider to seek out additional or alternative suppliers or to undertake, as permitted under applicable regulations, the production of these products internally, could have a material adverse effect on our operating results.

There has been a trend toward industry consolidation in our markets for several years. We expect this trend to continue as companies attempt to strengthen or hold their market positions or are unable to continue operations. This could lead to variability in our operating results and could have a material adverse effect on our business, operating results, financial condition and cash flow. In addition,

particularly in the Service Provider market, rapid consolidation will lead to fewer customers, with the effect that a loss of a major customer could have a material impact on our results that we would not have anticipated in a marketplace composed of more numerous participants.

***Our exposure to the credit risks of our customers and distributors may make it difficult to collect accounts receivable and could adversely affect our operating results, financial condition and cash flows.***

Most of our revenue is made on an open credit basis, generally with payment terms of 30 to 45 days in the U.S. and typically 45 to 60 days in many geographic markets outside the U.S. As our international revenue grows, our total accounts receivable balance has increased and will likely continue to increase. Our DSO could also increase as a result of a greater mix of international revenue. Additionally, international laws may not provide the same degree of protection against defaults on accounts receivable as provided under U.S. laws governing domestic transactions; therefore, as our international business grows, we may be subject to higher bad debt expense compared to historical trends. Overall, we monitor individual customer and distributor payment capability in granting such open credit arrangements, seek to limit such open credit to amounts that we believe customers and distributors can pay and maintain reserves we believe are adequate to cover exposure for credit losses and other macroeconomic indicators. In the course of our sales to customers and distributors, we may encounter difficulty collecting accounts receivable and could be exposed to risks associated with uncollectible accounts receivable due to various reasons, including potential declining operating cash flows or bankruptcy filings. While we attempt to monitor these situations carefully and attempt to take appropriate measures to collect accounts receivable balances, there are no assurances we can avoid write-downs and/or write-offs of accounts receivable as a result of declining financial conditions for our customers, including bankruptcy. Such write-downs or write-offs could negatively affect our operating results for the period in which they occur and could potentially have a material adverse effect on our results of operations, financial condition and cash flows.

***We expect gross margins to continue to vary over time, and our levels of product and services gross margins may not be sustainable.***

Our level of gross margins may not be sustainable and has been and may continue to be adversely affected by numerous factors, including:

- changes in customer, geographic or product or services mix, including software and the mix of configurations and professional services revenue within each product segment;
- mix of domestic versus international revenue;
- introduction of new products by competitors, including products with price-performance advantages;
- our ability to reduce product cost;
- increases in labor or material cost, including increases in material costs resulting from inflation or tariffs;
- foreign currency exchange rate movements;
- expediting costs incurred to meet customer delivery requirements;
- excess inventory and inventory holding charges;
- excess and obsolescence charges;
- changes in shipment volume;
- our ability to absorb fixed manufacturing costs during short-term fluctuations in customer demand;
- loss of cost savings due to changes in component pricing or charges incurred due to inventory holding periods if parts ordering does not correctly anticipate product demand;
- lower than expected benefits from value engineering;
- increased price competition, including competitors from Asia, specifically China;
- changes in distribution channels;
- increased warranty cost or quality issues;
- liquidated damages costs relating to customer contractual terms;
- our ability to manage the impact of foreign currency exchange rate fluctuations relating to our revenue or cost of revenue;
- slowdowns, recessions, economic instability (such as the instability in the financial services sector), political unrest, armed conflicts (such as the ongoing military conflict in Ukraine and in Israel and surrounding regions), or outbreaks of disease around the world; and

- an extended government shutdown resulting from budgetary decisions or other potential delays or changes in the government appropriations or other funding authorization processes.

***Our dependence on a limited number of suppliers for certain raw materials, key components and ODM products, combined with supply shortages, have prevented and may continue to prevent us from delivering our products on a timely basis, which has had and may continue to have a material adverse effect on operating results and could have a material adverse effect on customer relations.***

The fact that we are reliant on our extended supply chain could have an adverse impact on the supply of our products and on our business and operating results. The financial problems of our suppliers and industry consolidation occurring within one or more component supplier markets, such as the semiconductor market, in each case, could either limit supply or increase costs.

A reduction or interruption in supply, including disruptions on our global supply chain, caused in part by public health emergencies, geopolitical tensions (including as a result of the ongoing conflict in Ukraine and in Israel and surrounding regions, as well as China-Taiwan relations); a significant natural disaster (including as a result of climate change); tariffs or other trade restrictions; a significant increase in the price of one or more components (including as a result of inflation); a failure to adequately authorize procurement of inventory by our contract manufacturers; a failure to appropriately cancel, reschedule, or adjust our requirements based on our business needs; or a decrease in demand for our products could materially adversely affect our business, operating results, and financial condition and could materially damage customer relationships. Furthermore, as a result of binding price or purchase commitments with suppliers, we may be obligated to purchase raw materials or components at prices that are higher than those available in the current market. In the event that we become committed to purchasing raw materials or components at prices in excess of the current market price when the raw materials or components are actually used, our gross margins could decrease.

In addition, certain raw materials and key components used in our products are currently available from only one source, and others are available from only a limited number of sources. The availability of these raw materials and supplies may be subject to market forces beyond our control, such as inflation, merger and acquisition activity of our suppliers and consolidation in some segments of our supplier base. We have experienced and expect to continue to experience increased inflationary pressures on input costs, such as, raw materials, supplies, labor and distribution costs. Our attempts to offset these cost pressures, through increases in the selling prices of some of our products, may not be successful and could negatively affect our operating results. In addition, from time to time, there may not be sufficient quantities of raw materials and supplies in the marketplace to meet customer demand. Many companies utilize the same raw materials and supplies that we do in the production of their products. Suppliers may be under pressure to allocate product to certain customers for business, regulatory or political reasons, and/or demand changes in agreed pricing as a condition of supply. As a result, companies with more resources than our own may have a competitive advantage in obtaining raw materials and supplies. These factors have resulted in reduced supply, higher prices of raw materials and delays in the receipt of certain of our key components, which in turn has generated increased costs, lower margins and delays in product delivery, with a corresponding adverse effect on revenue. Delays in product deliveries and corresponding product price increases may likewise have an adverse effect on customer relationships. We attempt to manage these risks through developing alternative sources, by staging inventories at strategic locations, through engineering efforts designed to obviate the necessity of certain components and by building long-term relationships and close contact with each of our key suppliers; however, we cannot assure that delays in or failures of deliveries of key components, either to us or to our contract manufacturers, and consequent delays in product deliveries, will not continue to occur in the future.

We believe that we may be faced with the following challenges in the future: new markets in which we participate may grow quickly, which may make it difficult to quickly obtain significant raw materials and/or components; as we acquire companies and new technologies, we may be dependent on unfamiliar supply chains or relatively small supply partners; and we face competition for certain raw materials or components that are supply-constrained from existing competitors and companies in other markets.

***We compete in markets that have become increasingly competitive, which may result in reduced gross profit margins and market share.***

The markets for our products are intensely competitive. New manufacturers have entered the markets in recent years to offer products in competition with us. Additionally, certain companies have, in recent years, developed the ability to deliver competing products using coaxial cable and cellular transmission, especially in high-density metropolitan areas. Competition will further increase if new companies enter the market or existing competitors expand their product lines. Some of these potential competitors may have greater financial, technological, manufacturing, sales and marketing, and personnel resources. As a result, these competitors may be able to respond more rapidly or effectively to new or emerging technologies and changes in customer requirements, withstand significant price decreases, or devote greater resources to the development, promotion and sale of their products.

Furthermore, we face aggressive price competition and may continue to do so. As a consequence of higher supply chain and manufacturing costs, we have in the past increased the prices of many of our products and services to maintain or improve our revenue and gross margin, and we may do so again in the future. In addition, competitors who have a greater presence in some of the lower-cost markets in which we compete, or who can obtain better pricing, more favorable contractual terms and conditions, or more favorable allocations of products and components during periods of limited supply may be able to offer lower prices than we are able to offer. Our cash flows, results of operations, and financial condition may be adversely affected by these and other industry-wide pricing pressures.

In addition, our present and future competitors may be able to enter our existing or future markets with products or technologies comparable or superior to those that we offer. An increase in competition could cause us to reduce prices, decrease our market share, require increased spending by us on product development and sales and marketing, or cause delays or cancellations in customer orders, any one of which could reduce our gross profit margins and adversely affect our business and results of operations.

***Our estimates regarding future warranty obligations may change due to product failure rates, installation and shipment volumes, field service repair obligations and other rework costs incurred in correcting product failures. If our estimates change, our liability for warranty obligations may increase or decrease, impacting future cost of revenue.***

Our products are highly complex, and we cannot ensure that our extensive product development, manufacturing and integration testing will be adequate to detect all defects, errors, failures and quality issues. Material quality or performance problems for products covered under warranty could adversely impact our reputation and negatively affect our operating results, financial position and cash flows. The development and production of new products with high complexity often involves problems with software, components and manufacturing methods. If significant warranty obligations arise due to reliability or quality issues arising from defects in software, faulty components or manufacturing methods, our operating results, financial position and cash flows could be negatively impacted by:

- costs associated with fixing software or hardware defects;
- costs associated with internal or third-party installation errors;
- high service and warranty expenses;
- costs associated with recalling and replacing products with software or hardware defects, including costs from writing-off defective products recalled or recovering expenses from our suppliers;
- high inventory obsolescence expense;
- delays in collecting accounts receivable;
- payment of liquidated damages for performance failures;
- extended performance bond expenses; and
- a decline in revenue from existing customers.

***Managing our inventory is complex and has included and may continue to include write downs of excess or obsolete inventory.***

Managing our inventory of components and finished products is complicated by a number of factors, including the need to maintain a significant inventory of certain components that are in short supply, that have been discontinued by the component manufacturer, that must be purchased in bulk to obtain favorable pricing or that require long lead times. These issues have and may continue to result in our purchasing and maintaining significant amounts of inventory, which if not used or expected to be used based on anticipated production requirements, may become excess or obsolete. Any excess or obsolete inventory could also result in sales price reductions and/or inventory write-downs, which could adversely affect our business and results of operations. During the year ended December 31, 2023, we recognized write-downs of inventory of \$24.3 million due to a discontinuation of certain product lines within our Network Solutions segment in connection with our Business Efficiency Program. Additionally, during the year ended December 31, 2024, we recognized write-downs of inventory and other charges of \$8.6 million as a result of a strategy shift which included discontinuance of certain items in connection with the Business Efficiency Program, of which, \$4.1 million relates to inventory write-downs and \$4.5 million relates to other charges. Significant and unanticipated changes in our business could require additional charges for inventory write downs in a future period. Any future charges relating to such inventory write-downs could materially adversely affect our business, financial condition and results of operations in the periods recognized. *For additional details regarding the Business Efficiency Program, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Business Efficiency Program” in Part II, Item 7 of this report.*

***Our international operations have and may continue to expose us to additional risks, increase our costs and adversely affect our operating results, financial condition and cash flows.***

International sales represented 56.8% and 59.8% of our net revenue for the years ended December 31, 2024 and 2023. We have a significant international presence, and our international presence may continue to grow. If we continue to expand our presence in international markets, we expect to continue to experience increased revenue and operating costs in these markets. Furthermore, international expansion may continue to increase our operational risks and impact our results of operations, including:

- foreign currency exchange rate volatility has had and may continue to have an unfavorable impact on our cash flows, financial condition and results of operations;
- exposure to unfavorable commercial terms in certain countries;
- the time and cost to staff and manage foreign operations, including the time and cost to maintain good relationships with employee associations and work councils;
- the time and cost to ensure adequate business interruption controls, processes and facilities;
- the time and cost to manage and evolve financial reporting systems, maintain effective financial disclosure controls and procedures, and comply with corporate governance requirements in multiple jurisdictions;
- the cost to collect accounts receivable and extension of collection periods;
- the cost and potential disruption of facilities transitions required in some business acquisitions;
- risks as a result of less regulation of patents or other safeguards of intellectual property in certain countries;
- the potential impact of adverse tax, customs regulations and transfer-pricing issues;
- exposure to increased price competition from additional competitors in some countries;
- exposure to global social, political and economic instability, changes in economic conditions and foreign currency exchange rate movements;
- potential exposure to liability or damage of reputation resulting from a higher incidence of corruption or unethical business practices in some countries;
- potential regulations on data protection, regarding the collection, use, disclosure and security of data;
- potential trade protection measures, export compliance issues, domestic preference procurement requirements, qualification to transact business and additional regulatory requirements;
- potential exposure to natural disasters, epidemics and pandemics (and government regulations in response thereto) and acts of war or terrorism; and
- potential exposure to ongoing military conflicts, including the conflict in Ukraine and in Israel and surrounding regions. The U.S. and certain other countries-imposed sanctions on Russia in connection with the conflict in Ukraine and could impose further sanctions against it, which could damage or disrupt international commerce and the global economy. Other potential consequences of such military conflicts include, but are not limited to, a heightened risk of cyber-warfare, biological warfare or nuclear warfare, growth in the number of popular uprisings in the affected regions, increased political discontent, especially in the regions most affected by the conflicts or economic sanctions, continued displacement of persons to regions close to the areas of conflict and an increase in the number of refugees, among other unforeseen social and humanitarian effects which could impact our business, customers, and suppliers.

***Our success depends on attracting and retaining key personnel.***

Our business has grown significantly since its inception. Our success is dependent in large part on the continued employment of our executive officers, including Thomas R. Stanton, our Chief Executive Officer, and other key management personnel. There have been, and may continue to be, changes in our management team resulting from the hiring or departure of key personnel, and we have recently made, and may continue to make, changes in compensation that may be viewed as disruptive by our key personnel. These changes may result in increased attrition or reduced productivity of our key personnel as new reporting relationships are established, and as other companies may increasingly target our executives and other key personnel, particularly during the current highly competitive market for qualified personnel. Such changes have and may continue to result in a loss of institutional knowledge, and they may cause disruptions to our business, impede our ability to achieve our objectives, or distract or result in diminished morale in, or the loss of, key personnel. In addition, for Adtran to continue as a successful entity we must also be able to attract and retain key engineers and software developers and architects whose expertise helps us maintain competitive advantages. We believe that our future success will depend, in large part, upon our ability to continue to attract, retain, train and motivate highly-skilled employees who are in great demand. Stock awards are designed to reward employees for their long-term contributions and to provide incentives for them to remain with us. Changes to our overall compensation program, including changes in salaries and our stock incentive program, may adversely affect our ability to retain key employees. Properly managing our continued growth, avoiding the problems often resulting from such growth and expansion and continuing to operate in the manner which has proven successful to us to date remains critical to the future success of our business.

***We are exposed to adverse currency exchange rate fluctuations in jurisdictions where we transact in local currency, which could harm our financial results and cash flows.***

We are exposed to changes in foreign currencies relative to the U.S. dollar, which are references to the differences between the foreign-exchange rates we use to convert the financial results of our international operations from local currencies into U.S. dollars for financial reporting purposes. This impact of foreign-exchange rate changes is calculated based on the difference between the current period's currency exchange rates and that of the comparable prior period. Our primary exposures to foreign currency exchange rate movements are the euro and the British pound sterling. As a result of our global operations, our revenue, gross margins, operating expense and operating income in some international markets have been and may continue to be affected by foreign currency fluctuations.

***We have recognized impairment charges related to goodwill and other intangible assets in the past and may be required to do so in the future.***

The Business Combination added a significant amount of goodwill and other intangible assets to our consolidated balance sheets. In accordance with U.S. GAAP, management periodically assesses these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, the inability to effectively integrate acquired businesses, the under performance of our business as compared to management's initial expectations, unexpected significant changes or planned changes in use of the assets, divestitures, and market capitalization declines may impair goodwill and other intangible assets. During the year ended December 31, 2024, qualitative factors such as a decrease in the Company's market capitalization, lower service provider spending and delayed holding patterns of inventory with respect to customers caused us to reduce our forecasts, triggering a quantitative impairment assessment for our reporting units. The Company determined upon its quantitative impairment assessment to recognize a \$292.6 million non-cash goodwill impairment charge for the Network Solutions reporting unit. The quantitative impairment analysis indicated there was no impairment of the Services & Support goodwill. The Company will continue to monitor its stock price, operating results and other macroeconomic factors to determine if there is further indication of a sustained decline in fair value requiring an event driven assessment of the recoverability of its remaining goodwill. If our assumptions and related estimates change in the future, or if we change our reporting unit structure or other events and circumstances change (e.g., a sustained decrease in the price of our common stock (considered on both absolute terms and relative to peers)), we may be required to record impairment charges when we perform these tests, or in other future periods. A non-cash goodwill impairment charge would have the effect of decreasing earnings or increasing losses in such period. If we are required to take a substantial impairment charge, such impairment charge could have a material adverse effect on our business, financial condition and results of operations in the periods recognized.

***We may be unable to successfully and effectively manage and integrate acquisitions, divestitures and other significant transactions, which could harm our operating results, business and prospects.***

As part of our business strategy, we frequently engage in discussions with third parties regarding possible investments, acquisitions, strategic alliances, joint ventures, divestitures and outsourcing arrangements, and we enter into agreements relating to such transactions in order to further our business objectives. In order to pursue this strategy successfully, we must identify suitable candidates, successfully complete transactions, some of which may be large and complex, and manage post-closing issues such as the integration of acquired companies or employees and the divestiture of combined businesses, operations and employees. Integration, divestiture and other risks of these transactions can be more pronounced in larger and more complicated transactions, or if multiple transactions are pursued simultaneously. If we fail to identify and successfully complete transactions that further our strategic objectives, we may be required to expend resources to develop products and technology internally. This may put us at a competitive disadvantage and we may be adversely affected by negative market perceptions, any of which may have a material adverse effect on our revenue, gross margin and profitability.



Integration and divestiture issues are complex, time-consuming and expensive and, without proper planning and implementation, could significantly disrupt our business. The challenges involved in integrating and divesting include:

- combining service and product offerings and entering into new markets in which we are not experienced;
- convincing customers and distributors that any such transaction will not diminish client service standards or business focus, preventing customers and distributors from deferring purchasing decisions or switching to other suppliers or Service Providers (which could result in additional obligations to address customer uncertainty), and coordinating service, sales, marketing and distribution efforts;
- consolidating and rationalizing corporate information technology infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code;
- minimizing the diversion of the Board of Directors and management's attention from ongoing business concerns;
- persuading employees that business cultures are compatible, maintaining employee morale and retaining key employees, integrating employees into our company, correctly estimating employee benefit costs and implementing restructuring programs;
- coordinating and combining administrative, service, manufacturing, research and development and other operations, subsidiaries, facilities and relationships with third parties in accordance with local laws and other obligations while maintaining adequate standards, controls and procedures;
- increasing our responsibility for the liabilities of the businesses we acquire, some of which we may not anticipate, including costs of third-party advisors to resolve disputes;
- achieving savings from supply chain and administration integration; and
- efficiently divesting combined business operations which may cause increased costs as divested businesses are de-integrated from embedded systems and operations.

We evaluate and enter into these types of transactions on an ongoing basis. We may not fully realize all of the anticipated benefits of any transaction and the time frame for achieving benefits of a transaction may depend partially upon the actions of employees, suppliers or other third parties. In addition, the pricing and other terms of our contracts for these transactions require us to make estimates and assumptions at the time we enter into these contracts, and, during the course of our due diligence, we may not identify all of the factors necessary to estimate costs accurately. Any increased or unexpected costs, unanticipated delays or failure to achieve contractual obligations could make these agreements less profitable or unprofitable.

Managing these types of transactions require varying levels of management resources, which may divert our attention from other business operations. These transactions could result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, asset impairment charges, charges from the elimination of duplicative facilities and contracts, in-process research and development charges, inventory adjustments, assumed litigation, regulatory compliance and other liabilities, legal, accounting and financial advisory fees and required payments to executive officers and key employees under retention plans. In the Business Combination with Adtran Networks, we have incurred significant restructuring and integration costs and we expect to incur additional restructuring and integration costs and such costs are expected to be material. Moreover, we could incur additional depreciation and amortization expense over the useful lives of certain assets acquired in connection with these transactions, and, to the extent that the value of goodwill or intangible assets acquired in connection with a transaction becomes impaired, we may be required to incur additional material charges relating to the impairment of those assets. For example, during the third quarter of 2023, we recognized a \$37.9 million non-cash goodwill impairment charge related to the Business Combination with Adtran Networks. In order to complete an acquisition, we may issue common shares, potentially creating dilution for existing stockholders, or borrow funds, which could affect our financial condition, results of operations and potentially our credit ratings. Any prior or future downgrades in our credit rating associated with a transaction could adversely affect our ability to borrow and our borrowing cost, and result in more restrictive borrowing terms. In addition, our effective tax rate on an ongoing basis is uncertain, and such transactions could impact our effective tax rate. We also may experience risks relating to the challenges and costs of closing a transaction and the risk that an announced transaction may not close. As a result, any completed, pending or future transactions may contribute to financial results that differ materially from the investment community's expectations.

***Ongoing inflationary pressures have negatively impacted our revenues and profitability.***

Ongoing inflationary pressures have resulted and may continue to result in decreased demand for our products and services, increased manufacturing and operating costs (including our labor costs), reduced liquidity, and limitations on our ability to access credit or otherwise raise debt and equity capital. In the current inflationary environment, because certain of our customer contracts provide for fixed pricing and/or due to our competitor's pricing strategies, we are not always been able to raise the sales prices of our products and services at or above the rate at which our costs increase, which has reduced our profit and operating margins and has and could continue

to have a material adverse effect on our financial results. We also may experience lower than expected sales and potential adverse impacts on our competitive position if there is a decrease in customer spending or a negative reaction to any price increases we are able to implement. A reduction in our revenue would be detrimental to our profitability and financial condition and could also have an adverse impact on our future growth.

**Risks related to our control environment**

***We have had to restate our previously issued consolidated financial statements and, as part of that process, have identified material weaknesses in our internal control over financial reporting. If we are unable to develop and maintain effective internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and may adversely affect our business, financial condition and results of operations.***

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Effective internal control over financial reporting is necessary for us to provide reliable financial reporting and prevent fraud. We have had to restate our previously issued consolidated financial statements and, as part of that process, have identified material weaknesses in our internal control over financial reporting. We have implemented new controls with respect to one material weakness, and we plan to initiate remediation plans with respect to the other material weaknesses. These remediation measures have been time consuming and costly and there is no assurance that these initiatives will ultimately have the intended effects. Any failure to maintain effective internal control over financial reporting could adversely impact our ability to report our financial position and results from operations on a timely and accurate basis. If our financial statements are not accurate, investors do not have a complete understanding of our operations. Likewise, if our financial statements are not filed on a timely basis, we could be subject to sanctions or investigations by the stock exchange on which our common stock is listed, the SEC, the Federal Financial Supervisory Authority, or other regulatory authorities. In either case, there could be an adverse effect on our business, financial condition and results of operations. Ineffective internal control over financial reporting could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

We can provide no assurance that the measures that we have taken, are taking, and plan to take in the future will remediate the material weaknesses identified or that any additional material weaknesses or restatements of financial results will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or circumvention of these controls. In addition, while we have strengthened our controls and procedures, in the future those controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our consolidated financial statements.

Furthermore, as a public company, we are required to comply with U.S. GAAP, the Sarbanes-Oxley Act of 2002 ("SOX"), the Dodd-Frank Act and the rules and regulations subsequently implemented by the SEC and the Public Company Accounting Oversight Board. As such, Adtran Networks, as a subsidiary of a public company, has established and is required to maintain effective disclosure controls, as well as internal control over financial reporting under U.S. GAAP. Current and ongoing compliance efforts have and may continue to be costly and require the attention of management. There are a large number of processes, policies, procedures and functions that have been integrated, or enhanced at Adtran Networks, particularly those related to the implementation of internal controls for SOX compliance. The maintenance of these plans may lead to additional unanticipated costs and time delays. These incremental costs may exceed the savings we expect to achieve from the realization of efficiencies related to the combination of the businesses, particularly in the near term and in the event there are material unanticipated costs.

***We may face litigation and other risks as a result our material weaknesses in our internal control over financial reporting and any resulting restatement of our previously issued consolidated financial statements.***

We had to restate our previously issued consolidated financial statements in August 2023 and March 2024 and, in connection with those restatements, we identified material weaknesses in our internal control over financial reporting, certain of which have continued as of the date hereof. Until such time as we have remediated our material weaknesses or in the event that we experience an additional material weakness, there is a higher risk of there being an error in our financial statements, which error could be material, thereby resulting in a restatement of our financial statements. In connection with our material weaknesses in our internal control over financial reporting and any future restatement, we face potential for litigation or other disputes which may include, among others, claims invoking the federal and state securities laws, contractual claims or other claims. As of the date of this report, we have no knowledge of any such litigation or dispute. However, we can provide no assurance that such litigation or dispute will not arise in the future. Any such litigation or dispute, whether successful or not, could adversely affect our business, financial condition and results of operations.

***Breaches of our information systems and cyberattacks could compromise our intellectual property and cause significant damage to our business and reputation.***

We maintain sensitive data on our information systems and the networks of third-party providers, including intellectual property, financial data and proprietary or confidential business information relating to our business, customers, suppliers, and business partners. We also produce networking equipment solutions and software used by network operators to ensure security and reliability in their management and transmission of data. Our customers, particularly those in regulated industries, are increasingly focused on the security features of our technology solutions. Maintaining the security of information sensitive to us and our business partners is critical to our business and reputation. We rely upon several internal business processes and information systems to support key operations and financial functions, and the efficient operation of these processes and systems is critical. Companies are increasingly subjected to cyberattacks and other attempts to gain unauthorized access. Specifically, our network and storage applications and those systems and applications maintained by our third-party providers may be targeted by cyberattacks or potentially breached due to operator error, fraudulent activity, or other system disruptions. Furthermore, we, our employees and some of our third-party Service Providers have been, and anticipate continuing to be, the targets of various cybersecurity threats. These include hacking attacks, social engineering schemes such as "phishing," and business email compromise attacks, wherein attackers impersonate company executives or colleagues in emails to trick employees into transferring funds or revealing sensitive information. Our information systems are designed to reflect industry standards and are engineered to reduce downtime in the event of power outages, weather or climate events and cybersecurity issues. To date, these threats have not had a significant effect on our financial condition or operational results; however, we cannot ensure that future cybersecurity threats might not have a material impact on our business. Unauthorized access to or disclosure of our information could compromise our intellectual property and expose sensitive business information. Additionally, a significant failure or other compromise of our systems due to these issues could result in significant remediation costs, disrupt business operations, and divert management attention, which could result in harm to our business reputation, operating results, financial condition, and cash flows. These risks, as well as the number and frequency of cybersecurity events globally, may also be heightened during times of geopolitical tension or instability between countries. For example, a number of recent cybersecurity events have been alleged to have originated from the ongoing military conflict in Ukraine and in Israel and its surrounding areas. Further, we have incurred, and will continue to incur, expenses to comply with cybersecurity, privacy, and data protection standards and protocols imposed by law, regulation, industry standards and contractual obligations. Continued increases in legislation and regulation from a variety of international, federal and state authorities regarding cybersecurity incidents, including risk assessment, notification obligations, regulatory reporting and other requirements, could increase our cost of compliance and could subject us to additional liability and reputational harm. And while we may be entitled to damages if our third-party providers fail to satisfy their security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award. Additionally, while we have purchased cybersecurity insurance, there are no assurances that the coverage would be adequate in relation to any incurred losses or not subject to any exclusions. Moreover, as cyberattacks increase in frequency and magnitude, we may be unable to obtain cybersecurity insurance in amounts and on terms we view as adequate for our operations.

*For information on our cybersecurity risk management, strategy and governance, see Part I, Item 1C of this report.*

**Risks related to the telecommunications industry**

***We must continue to update and improve our products and develop new products to compete and to keep pace with improvements in communications technology.***

The markets for our products are characterized by rapidly changing technology, evolving industry standards and continuing improvements in the communications service offerings of Service Providers. If technologies or standards applicable to our products, or Service Provider offerings based on our products, become obsolete or fail to gain widespread commercial acceptance, our existing products or products under development may become obsolete or unmarketable, which can result in the discontinuation of products and write off of related inventory. For example, during the quarters ended March 31, 2024 and September 30, 2023, management determined that there would be a strategy shift which resulted in a discontinuation of certain product lines in the Network Solutions segment. For more information, see Note 5 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report. Moreover, the introduction of products embodying new technologies, the emergence of new industry standards, or changes in Service Provider offerings could adversely affect our ability to sell our products.

Our revenue and profitability in the past have, to a significant extent, resulted from our ability to anticipate changes in technology, industry standards and Service Provider offerings, and to develop and introduce new and enhanced products. Our continued ability to adapt will be a significant factor in maintaining or improving our competitive position and our prospects for growth. We cannot assure that we will be able to respond effectively to changes in technology, industry standards, Service Provider offerings or new product announcements by our competitors. We also cannot assure that we will be able to successfully develop and market new products or product enhancements, or that these products or enhancements will achieve market acceptance. We also may not have sufficient resources to make the technological advances necessary to be competitive and successful in the markets we serve. Any failure by us to continue to anticipate or respond in a cost-effective and timely manner to changes in technology, industry standards, Service Provider offerings or new product announcements by our competitors, or any significant delays in product development or introduction, could

have a material adverse effect on our ability to competitively market our products and on our revenue, results of operations, financial condition and cash flows.

***Our failure or the failure of our contract manufacturers to comply with applicable environmental regulations could adversely impact our results of operations.***

The manufacture, assembly and testing of our products at times requires the use of hazardous materials that are subject to environmental, health and safety regulations. In particular, our manufacturing operations use substances that are regulated by various federal, state, local, foreign and international laws and regulations governing health, safety and the environment, including U.S. Environmental Protection Agency regulations and the Waste Electrical and Electronic Equipment Directive, Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment and Registration, Evaluation, Authorization, and Restriction of Chemicals regulations adopted by the EU. Our failure or the failure of our contract manufacturers to comply with any of these applicable requirements could result in regulatory penalties, legal claims or disruption of production. In addition, our failure or the failure of our contract manufacturers to properly manage the use, transportation, emission, discharge, storage, recycling or disposal of hazardous materials could subject us to increased costs or liabilities. Existing and future environmental regulations may restrict our use of certain materials to manufacture, assemble and test products. Any of these consequences could adversely impact our results of operations by increasing our expenses and/or requiring us to alter our manufacturing processes.

***If our products do not interoperate with our customers' networks, installations may be delayed or canceled, which could harm our business.***

Our products must interface with existing networks, each of which may have different specifications, utilize multiple protocol standards and incorporate products from other vendors. Many of our customers' networks contain multiple generations of products that have been added over time as these networks have grown and evolved. Our products may be required to interoperate with many or all of the products within these networks, as well as future products to meet our customers' requirements. If we find errors in the existing software or defects in the hardware used in our customers' networks, we may have to modify our software or hardware to fix or overcome these errors so that our products will interoperate with the existing software and hardware. Implementation of product corrections involving interoperability issues could increase our costs and adversely affect our results of operations. Such issues may affect our ability to obtain product acceptance from other customers.

***We engage in research and development activities to develop new, innovative solutions and to improve the application of developed technologies, and as a consequence may miss certain market opportunities enjoyed by larger companies with substantially greater research and development efforts and which may focus on more leading edge development.***

A portion of our research and development activities are focused on the continued innovation of currently accepted access and edge transmission technologies in order to deliver faster internet speeds, more capacity, better quality of service and operational efficiency. These research and development efforts result in improved applications of technologies for which demand already exists or is latent. We also focus our research and development efforts on developing software, solutions and platforms that enable Service Providers to increase revenue-generating service velocity, reducing operational costs, increasing scale and providing service agility. We rarely engage in research projects that represent a vast departure from the current business practices of our key customers. While we believe our strategy provides a higher likelihood of producing nearer term or more sustainable revenue streams, this strategy could result in lost revenue opportunities and higher operating expenses should a new technology achieve rapid and widespread market acceptance. When we do engage in research and development activities for new, leading-edge technologies and market approaches, there is no guarantee that those technologies or market approaches will be successful or that they will be adopted and purchased by our customers.

***Our strategy of outsourcing a portion of our manufacturing requirements to subcontractors located in various international regions may result in us not meeting our cost, quality or performance standards.***

We are heavily dependent on subcontractors for the assembly and testing of certain printed circuit board assemblies, subassemblies, chassis, enclosures and equipment shelves, and the purchase of some raw materials used in such assemblies. This reliance involves several risks, including the unavailability of, or interruptions in, access to certain process technologies and reduced control over product quality, delivery schedules, transportation, manufacturing yields and costs. We may not be able to provide product order volumes to our subcontractors that are high enough to achieve sufficient cost savings. If shipments fall below forecasted levels, we may incur increased costs or be required to take ownership of excess inventory. In addition, these same suppliers may decide to no longer manufacture or support specific components necessary for some of our legacy products, which could lead to our inability to fulfill demand without increased engineering and material costs necessary to replace such components or cause us to transition such products to end-of-life status sooner than planned. Further, our suppliers could enter into exclusive arrangements with our competitors, refuse to sell their products or components to us at commercially reasonable prices or at all, go out of business or discontinue their relationships with us. We also have experienced and expect to continue to experience ongoing inflationary pressures on input costs, such as, raw materials, labor and distribution costs. Our attempts to offset these cost pressures, such as through increases in the selling prices of some of our products and services, may not be successful and could negatively affect our operating results. In addition, a significant component of maintaining cost competitiveness is the ability of our subcontractors to adjust their costs to compensate for possible adverse exchange

rate movements. To the extent that the subcontractors are unable to do so, and we are unable to procure alternative product supplies, then our competitiveness and results of operations could be adversely impaired. These risks may be exacerbated by economic, regulatory or political changes or uncertainties, terrorist actions, acts of war, the effects of climate change, natural disasters or pandemics in the foreign countries in which our subcontractors are located. These risks could also be heightened by geopolitical factors. For example, the renegotiation or termination of existing bilateral and multilateral trade agreements, as well as, changes in international tariff structures, could adversely impact our product costs. In addition, a number of the components we use in our products are sourced directly or indirectly through Taiwan. Deterioration of relations between Taiwan and China and the United States, the resulting actions taken by any of these parties, and other factors affecting the political or economic conditions of Taiwan in the future, could adversely impact our supply chain, international sales, and operations.

We cannot be assured that delays in product deliveries will not occur in the future because of shortages resulting from this limited number of subcontractors or from the financial or other difficulties of these parties. Our inability to identify and engage alternative subcontractors if and as required in the future, or the need to undertake required retraining and other activities related to establishing and developing a new subcontractor relationship, could result in delays or reductions in product shipments which, in turn, could have a negative effect on our customer relationships and operating results.

***Our failure to maintain rights to intellectual property used in our business could adversely affect the development, functionality and commercial value of our products.***

Our future success depends in part upon our proprietary technology. Although we attempt to protect our proprietary technology by contract, trademark, copyright and patent registration and internal security, including trade secret protection, these protections may not be adequate. Furthermore, our competitors can develop similar technology independently without violating our proprietary rights. From time to time, we receive and may continue to receive notices of claims alleging that we are infringing upon patents or other intellectual property. Any of these claims, whether with or without merit, could result in significant legal fees, divert our management's time, attention and resources, delay our product shipments or require us to enter into royalty or licensing agreements. We cannot predict whether we will prevail in any claims or litigation over alleged infringements, or whether we will be able to license any valid and infringed patents, or other intellectual property, on commercially reasonable terms. If claims of intellectual property infringement against us are successful and we fail to obtain a license or develop or license non-infringing technology, our business, operating results, financial condition and cash flows could be materially adversely affected.

***Third party hardware or software that is used with our portfolios may not continue to be available or at commercially reasonable terms.***

We integrate third-party software into certain of our products. Licenses for this technology may not be available or continue to be available to us on commercially reasonable terms. Difficulties with third-party technology licensors could result in the termination of such licenses, which may result in increased costs or require us to purchase or develop a substitute technology. Difficulty obtaining and maintaining third-party technology licenses may disrupt the development of our products and increase our costs, which could harm our business.

***Our use of open source software could impose limitations on our ability to commercialize our products.***

Several of our solutions utilize elements of open source or publicly available software. Although we closely monitor our use of open source software, the terms of many open source software licenses have not been interpreted by the courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to sell our products. In such event, we could be required to make our proprietary software generally available to third parties, including competitors, at no cost, to seek licenses from third parties in order to continue offering our products, to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis or at all, any of which could adversely affect our revenue and operating profitability.

***We may incur liabilities or become subject to litigation that would have a material effect on our business.***

In the ordinary course of business, we accept purchase orders, and enter into sales and other related contracts, for the marketing, sale, manufacture, distribution or use of our products and services. We may incur liabilities relating to our performance under such agreements, or which result from damage claims arising from certain events as outlined within the particular contract. While we attempt to include reasonable limitations of liability and other protective measures to all agreements, such agreements may not always contain, or be subject to, maximum loss clauses and liabilities arising from them may result in significant adverse changes to our results of operations, financial condition and cash flows.

In the ordinary course of business, we are subject to various legal proceedings and claims, including employment disputes, patent claims, disputes over contract agreements and other commercial disputes. In some cases, claimants seek monetary recovery, or other relief, including damages such as royalty payments related to patents, lost profits or injunctive relief, which, if granted, could require significant expenditures. Any such disputes may be resolved before trial, or if tried, may be resolved in our favor; however, the cost of claims sustained in litigation, and costs associated with the litigation process, may not be covered by our insurance. Such costs, and the demands

on management time during such an event, could harm our business, reputation and have a material adverse effect on our liquidity, results of operations, financial condition and cash flows.

In addition, as a result of the Business Combination with Adtran Networks SE, we continue to be exposed to litigation risk and uncertainty associated with the remaining minority shareholders of Adtran Networks. The terms of the DPLTA, including the adequacy of compensation payments to minority Adtran Networks shareholders under the terms of the DPLTA, have been challenged by minority shareholders of Adtran Networks by initiating court-led appraisal proceedings under German law. It is possible that the court in these appraisal proceedings may hold that we must pay higher Exit Compensation or Annual Recurring Compensation to such Adtran Networks SE shareholders than agreed upon in the DPLTA, the financial impact and timing of which is uncertain.

***If we are unable to successfully develop and maintain relationships with SIs, Service Providers and enterprise VARs, our revenue may be negatively affected.***

As part of our sales strategy, we are targeting SIs, Service Providers and enterprise VARs. In addition to specialized technical expertise, SIs, Service Providers and VARs typically offer sophisticated service capabilities that are frequently desired by enterprise customers. To expand our distribution channel to include resellers with such capabilities, we must be able to provide effective support to these resellers. If our sales, marketing or service capabilities are not sufficient to provide effective support to such SIs, Service Providers and VARs, our revenue may be negatively affected, and current SI, Service Provider and VAR partners may terminate their relationships with us, which would adversely impact our revenue and overall results of operations.

***We depend on a third-party cloud platform provider to host our Mosaic One SaaS network and other operating platforms, and if we were to experience a material disruption or interference in service, our business and reputation could suffer.***

Our quality of customer service and our continued growth depends in part on the ability of our existing and potential customers to use and access our Mosaic One SaaS network operating platform. We use third-party service providers that we do not control for key components of our infrastructure, particularly with respect to delivery of our SaaS products. The use of these service providers gives us greater flexibility in efficiently delivering a more tailored, scalable customer experience, but also exposes us to additional risks and vulnerabilities. Third-party service providers operate their own platforms that we access, and we are, therefore, vulnerable to their service interruptions. In the future, we may experience interruptions, delays and outages in service and availability from time to time as a result of our third-party service providers' infrastructure. Lack of availability of this infrastructure could be due to a number of potential causes including technical failures, natural disasters, fraud or security attacks that we cannot predict or prevent. Such outages could adversely impact our business, reputation, financial condition and results of operations.

#### **Risks related to the Company's stock price**

***Our operating results historically have fluctuated and are likely to continue to fluctuate in future periods. Such fluctuations can adversely affect our stock price.***

Our operating results have been, and will continue to be, subject to quarterly and annual fluctuations as a result of numerous factors. These factors include, but are not limited to:

- fluctuations in demand for our products and services, especially with respect to significant network expansion projects undertaken by Service Providers;
- continued growth of communications network traffic and the adoption of communication services and applications by enterprise and consumer end users;
- changes in sales and implementation cycles for our products and reduced visibility into our customers' spending plans and associated revenue, especially should a slowdown in communications industry spending occur due to economic downturns, tight capital markets, or declining liquidity trends;
- reductions in demand for our traditional products as new technologies gain acceptance;
- our ability, and that of our distributors, to maintain appropriate inventory levels and related purchase commitments;
- price and product competition in the communications and networking industries, which can change rapidly due to technological innovation;
- the overall movement toward industry consolidation among both our competitors and our customers;
- our dependence on sales of our products by channel partners and the timing of their replenishment orders. Specifically, our sales volume in 2024 has been negatively impacted due to our channel partners focus on reducing inventory levels;
- the potential for conflicts and competition involving our channel partners and large end-user customers and the potential for consolidation among our channel partners;

- variations in sales channels, product cost or mix of products and services sold;
- delays in receiving acceptance, as defined under contract, from certain customers for shipments or services performed near the end of a reporting period;
- our ability to maintain high levels of product support and professional services;
- manufacturing and customer order lead times, and potential restrictions in the supply of key components;
- fluctuations in our gross margin and the factors that contribute to this (as described above);
- our ability to achieve cost reductions;
- the ability of our customers, channel partners and suppliers to obtain financing or to fund capital expenditures;
- our ability to execute on our strategy and operating plans;
- benefits anticipated from our investments in engineering, sales and marketing activities;
- the effects of climate change and other natural events;
- the effect of political or economic conditions, including the effect of tariffs or so-called “trade wars” on us and our supply chain, acts of war, terrorist attacks or other unrest in certain international markets; and
- changes in tax laws and regulations or accounting pronouncements.

***Future issuances of additional equity securities could result in dilution of existing stockholders’ equity ownership.***

We may determine from time to time to issue additional equity securities to raise additional capital, to support growth, or to make acquisitions. Furthermore, we may issue stock options, grant restricted stock awards or other equity awards to retain, compensate and/or motivate our employees and directors. The issuance of additional shares of common stock could result in the dilution of the voting and economic interests of existing stockholders. Furthermore, as part of our business strategy, we may acquire additional shares of Adtran Networks’ common stock and issue equity securities to pay for any such acquisitions. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. Any such issuances of additional share capital may cause stockholders to experience significant dilution of their ownership interests and the per share value of our common stock to decline.

***The price of our common stock has been volatile and may continue to fluctuate significantly.***

Our common stock is traded on the NASDAQ Global Select Market under the symbol ADTN and on the Frankfurt Stock Exchange under the symbol QH9. Since our initial public offering in August 1994, there has been, and may continue to be, significant volatility in the market for our common stock, based on a variety of factors, including factors listed in this section, some of which are beyond our control.

**Risks related to the regulatory environments in which we do business**

***We are subject to complex and evolving U.S. and foreign laws, regulations and standards governing the conduct of our business. Violations of these laws and regulations may harm our business, subject us to penalties and to other adverse consequences.***

We are subject to laws and regulations that govern conduct by our Company, our employees and agents and the manufacture, sale and use of our products. Our inability to comply with current and evolving laws and regulations governing our business domestically and internationally may adversely affect our revenue, results of operations, financial conditions and cash flows. New and changing laws, regulations and industry practices could require us to modify our business, products or services offered, potentially in a material manner, and may limit our ability to develop new products, services and features. If we violate these laws and regulations, governmental authorities in the U.S. and in foreign jurisdictions could seek to impose civil and/or criminal fines and penalties which could have an adverse effect on our reputation, as well as our results of operations, financial condition and cash flows.

These laws and regulations include, but are not limited to:

- various regulations and regional standards established by communications authorities and import/export control authorities that govern the manufacture, sale and use of our products. Changes in domestic or international communications regulations, tariffs, potential changes in trade policies by the U.S. and other nations, application requirements, import/export controls or expansion of regulation to new areas, including access, communications or commerce over the internet, may affect customer demand for our products or slow the adoption of new technologies which may affect our revenue. Further, the cost of complying with the evolving standards and regulations, including the cost of product re-design if necessary, or the failure to obtain timely domestic or foreign regulatory approvals or certification such that we may not be able to sell our products

where these standards or regulations apply, may adversely affect our revenue, results of operations, financial condition and cash flows.

- compliance with a wide variety of provincial, state, national and international laws and regulations applicable to the collection, use, retention, protection, disclosure, transfer and other processing of data, including personal data. Foreign data protection, privacy and other laws and regulations, including GDPR, are often more restrictive than those in the U.S. These data protection and privacy-related laws and regulations are varied, evolving, can be subject to significant change, may be augmented or replaced by new or additional laws and regulations and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. For example, within the past three years, numerous states have adopted or are in the process of adopting various privacy-related laws and regulations. In addition, on July 16, 2020, the Court of Justice of the European Union issued a decision that invalidated the EU-U.S. Privacy Shield framework as a basis for transfers of personal data from the EU to the U.S., resulting in uncertainty and potential additional compliance obligations to ensure that a valid basis under the GDPR exists for these data transfers. Since that time, the E.U. and U.S. have developed the successor E.U.-U.S. Data Privacy Framework to address the 2020 decision, and on July 10, 2023, the European Commission issued an adequacy decision for the EU-US Data Privacy Framework, which entered in force on July 11, 2023; however, there are indications there may be legal challenges to the decision. Additionally, the European Commission published revised standard contractual clauses for data transfers from the European Economic Area in 2021, which were required to go into effect by December 2022. Finally, the U.K. has enacted a version of the GDPR the implementation of which occurred by way of the Data Protection Act 2018, collectively referred to as the "U.K. GDPR." Uncertainty remains, however, regarding how aspects of data protection in the U.K. will be handled in the medium to long term. There is also a risk that we, directly or as the result of a third-party Service Provider we use, could be found to have failed to comply with the laws and regulations applicable in a jurisdiction regarding the collection, consent, handling, transfer or disposal of personal data. In addition to the U.S. and Europe, we do business in numerous other countries around the globe. Those countries and jurisdictions may have, currently or in the future, data protection or privacy laws or regulations with similar or additional requirements, resulting in increased compliance costs and regulatory risk.
- the FCPA, which prohibits U.S. companies and their intermediaries from making corrupt payments to foreign officials for the purpose of directing, obtaining or keeping business, and requires companies to maintain reasonable books and records and a system of internal accounting controls. The FCPA applies to companies, individual directors, officers, employees and agents. Under the FCPA, U.S. companies may be held liable for the corrupt actions taken by employees, strategic or local partners or other representatives. On February 10, 2025, the U.S. government temporarily paused the enforcement of the FCPA. Whether FCPA enforcement will resume in the future and the extent to which it will be enforced remains uncertain.
- environmental, health and safety regulations governing the manufacture, assembly and testing of our products, including without limitation regulations governing the use of hazardous materials. Our failure or the failure of our contract manufacturers to properly manage the use, transportation, emission, discharge, storage, recycling or disposal of hazardous materials could subject us to increased costs or liabilities. Existing and future environmental regulations may restrict our use of certain materials to manufacture, assemble and test products.
- requirements by the SEC governing the disclosure regarding the use of conflict minerals mined from the Democratic Republic of the Congo and adjoining countries (the "DRC") and disclosure with respect to procedures regarding a manufacturer's efforts to prevent the sourcing of such minerals from the DRC. Certain of these minerals are present in our products. SEC rules implementing these requirements may have the effect of reducing the pool of suppliers that can supply "conflict free" components and parts, and we may not be able to obtain conflict free products or supplies in sufficient quantities for our operations. Because our supply chain is complex, we may face reputational challenges with our customers, stockholders and other stakeholders if we are unable to verify sufficiently the origins for the conflict minerals used in our products and cannot assert that our products are "conflict free." Environmental or similar social initiatives may also make it difficult to obtain supply of compliant components or may require us to write off non-compliant inventory, which could have an adverse effect on our business and operating results.
- the insider trading prohibitions and the respective directors' dealing rules, as well as disclosure and reporting obligations under the German Securities Trading Act (*Wertpapierhandelsgesetz*) and Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014, and other applicable regulations.

Moreover, changes in the U.S. political landscape can significantly impact our business. The recent changes in the U.S. government administration may result in substantial modifications to laws and regulations, including, but not limited to, those related to trade policies, tariffs, export controls and technology transfers. New executive orders and legislative actions could alter the business environment in which we operate.



***Changes in trade policy in the U.S. and other countries, including the imposition of additional tariffs and the resulting consequences, may adversely impact our gross profits, gross margins, results of operations and financial condition.***

In recent years, international market conditions and the international regulatory environment have been increasingly affected by competition among countries and geopolitical frictions. The U.S. government issued orders in February 2025 increasing tariffs on imports from certain countries, including Canada, China and Mexico, and it has discussed further tariffs, including plans to increase U.S. tariffs to match the rates that other countries charge on imports and tariffs on semiconductors, automobiles and pharmaceuticals imported into the U.S. While the implementation of tariffs on Canadian and Mexican imports was initially deferred, such tariffs are expected to go into effect in March 2025 and the U.S. has increased tariffs on goods imported into the U.S. from China by 10%. In response, China imposed a 15% tariff on U.S. coal and liquified natural gas products, along with a 10% tariff on crude oil. The U.S. government has indicated that an additional 10% duty on Chinese imports may be forthcoming, which may result in further tariffs on U.S. products being imported into China. The recent tariffs come on top of ongoing trade tensions and regulatory actions involving the governments of the U.S. and China. Moreover, on February 11, 2025, the U.S. government ordered tariffs of 25% on imports of steel and aluminum regardless of where they originate.

Because not all products can be sourced in all countries, we expect to experience increased costs in our supply chain as a result of such tariffs, which may lead to reduced margins or increased prices. At this time, it remains unclear what additional actions, if any, will be taken by the U.S. or other governments with respect to international trade agreements, the imposition of tariffs on goods imported into the U.S. or exported to other countries, tax policy related to international commerce, increased export control, sanctions and investment restrictions, import or use of foreign communications equipment, or other trade matters. Related costs and the uncertainty during transition periods could lead to changes in buying behavior, such as decreased demand. These impacts could have a negative effect on our financial results, including our revenue and profitability. There can also be no assurance that further trade tensions between the U.S. and China will not have an adverse impact on our business, operations and access to technology, or components thereof, sourced from China.

Furthermore, tariffs on our customers' products may adversely affect our gross profit margins in the future due to the potential for increased pressure on our selling prices by customers seeking to offset the impact of tariffs on their own products. In addition, tariffs could make our products less attractive relative to products offered by competitors, which may not be subject to similar tariffs. Increases in tariffs on imported goods or the failure to resolve current international trade disputes could further decrease demand and have a material adverse effect on our business and operating results.

***New or revised tax regulations, changes in our effective tax rate, recognition of a valuation allowance or assessments arising from tax audits may have an adverse impact on our results.***

We are subject to taxation in various jurisdictions, both domestically and internationally, in which we conduct business. Significant judgment is required in the determination of our provision for income taxes, and this determination requires the interpretation and application of complex and sometimes uncertain tax laws and regulations. Our effective tax rate may be adversely impacted by changes in the mix of earnings between jurisdictions with different statutory tax rates, in the valuation of our deferred tax assets, and by changes in tax rules and regulations. We continually monitor our deferred tax assets and when it becomes more likely than not that a tax benefit will not be recognized, a valuation allowance is recorded against those assets. In addition, we are subject to examination of our income tax returns by the Internal Revenue Service and various other tax authorities in the jurisdictions in which we conduct business. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these continuous examinations will not have an adverse effect on our results of operations, financial condition and cash flow. Additionally, we continually review the adequacy of the valuation allowance and recognize the benefits of deferred tax assets only as the reassessment indicates that it is more likely than not that the deferred tax assets will be recognized. As such, we may release a portion of the valuation allowance or establish a new valuation allowance based on operations in the jurisdictions in which these assets arose. Management continues to evaluate all evidence including historical operating results, the existence of losses in the most recent year, forecasted earnings, future taxable income and tax planning strategies. Should management determine that a valuation allowance is needed in the future due to not being able to absorb deferred tax assets, it would have a material impact on our consolidated financial statements.

In August 2022, the Inflation Reduction Act was signed into law, which made a number of changes to the Internal Revenue Code, including adding a 1% excise tax on stock buybacks by publicly traded corporations and a 15% corporate minimum tax on adjusted financial statement income of certain large companies. The impact of these provisions on our effective tax rate will also depend on additional guidance to be issued by the Secretary of the U.S. Department of the Treasury. We are currently evaluating the impact of these provisions on our effective tax rate. Further, the Tax Act amended the Internal Revenue Code to require that specific research and experimental ("R&E") expenditures be capitalized and amortized over five years (U.S. R&E) or fifteen years (non-U.S. R&E), which began in fiscal 2023. Although the U.S. Congress has considered legislation that would defer, modify, or repeal the capitalization and amortization requirement, there is no assurance that the provision will be deferred, repealed, or otherwise modified. If the requirement is not repealed or otherwise modified, it may increase our effective tax rate. Additionally, the Organization for Economic Co-operation and Development (the "OECD"), the G20, and other invited countries developed a global tax framework inclusive of a 15% global

minimum tax under the Pillar Two Global Anti-Base Erosion Rules (“Pillar Two”). On December 15, 2022, the Council of the European Union (“EU”) formally adopted the OECD’s framework to achieve a coordinated implementation amongst EU Member States consistent with EU law. The EU’s Pillar Two Directive effective dates are January 1, 2024, and January 1, 2025, for different aspects of the directive. Various countries have enacted or are in the process of enacting legislation to adopt certain parts of the OECD’s proposals. We have assessed the framework including OECD administrative guidance and expect, based upon available guidance, that these changes will not have a material impact to our results of operations; however, any future changes in OECD guidance or interpretations, could impact our initial assessment. Many aspects of the minimum tax directive will be effective beginning in fiscal 2025, with certain remaining impacts to be effective beginning in fiscal 2026. While it is uncertain whether the U.S. will enact legislation to adopt the minimum tax directive, certain countries in which we operate have adopted legislation, and other countries are in the process of introducing legislation to implement the minimum tax directive.

***Interest rate fluctuations could increase our costs of borrowing money and negatively impact our financial condition and future operations.***

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Changes in interest rates have impacted and may in the future further impact our costs of borrowing money under certain of our debt facilities with variable interest rates, which could negatively impact our financial condition and future operations.

We seek to only enter into transactions with creditworthy banks and financial institutions. To assess the creditworthiness of banks, we utilize current credit ratings from rating agencies, such as S&P, Moody’s and Fitch, as well as current default rates (credit default swaps). We are also in frequent dialogue with customers and suppliers to assess counterparty risks. Nevertheless, many of these transactions expose us to credit risk in the event of our counterparty’s default. Any such losses could be material and could materially and adversely affect our business, financial condition and results of operations.

***Expectations relating to ESG considerations expose the Company to potential liabilities, increased costs, reputational harm, and other adverse effects on the Company’s business.***

Many governments, regulators, investors, employees, customers and other stakeholders are increasingly focused on ESG considerations relating to businesses, including climate change and greenhouse gas emissions, human and civil rights, and diversity, equity and inclusion. In addition, we may make statements about our ESG goals and initiatives through our website, press statements and other communications. Responding to these environmental, social and governance considerations and implementation of these goals and initiatives involves risks and uncertainties, requires investments, and depends in part on third-party performance or data that is outside of our control. Any failure, or perceived failure, by us to achieve our targets, further our initiatives, adhere to our public statements, comply with federal, state or international ESG laws and regulations, or meet evolving and varied stakeholder expectations and standards could result in legal and regulatory proceedings against us and materially adversely affect our business, reputation, results of operations, financial condition and stock price.

In addition, simultaneous, disparate and divergent sentiments on ESG-related matters from multiple stakeholder groups must be considered. For example, there is an increasing number of anti-ESG initiatives in the U.S. that may conflict with other regulatory requirements or our various stakeholders’ expectations. Such divergent, sometimes conflicting views on ESG-related matters increase the risk that any action or lack thereof by us on such matters will be perceived negatively by some stakeholders.

***Further downgrades of the U.S. credit rating, impending automatic spending cuts or a government shutdown could negatively impact our liquidity, financial condition and earnings.***

U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the United States. Although U.S. lawmakers passed legislation to raise the federal debt ceiling on multiple occasions, including a suspension of the federal debt ceiling in June 2023, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States.

On January 21, 2025, the U.S. Treasury began taking extraordinary measures to prevent a default on U.S. government debt, which measures are expected to continue until such time as the U.S. Congress increases the debt ceiling. However, it is unclear how long such extraordinary measures will forestall a default in the event of extended Congressional negotiations or inaction.

The impact of this or any further downgrades to the U.S. government’s sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. Absent further quantitative easing by the Federal Reserve, these developments could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. On December 21, 2024, the previous administration signed a continuing resolution to extend federal spending and avert a government shutdown through March 14, 2025. Accordingly, without a final agreement regarding the federal budget in place prior to the expiration of the continuing resolution, or another continuing resolution, it is still possible that a partial shutdown of the U.S. government may occur. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

## ***ITEM 1B. UNRESOLVED STAFF COMMENTS***

---

None.

## ***ITEM 1C. CYBERSECURITY***

---

### ***Risk Management and Strategy***

We recognize the importance of establishing governance and oversight over cybersecurity risks, and we have implemented mechanisms, controls, technologies, and processes designed to help us assess, identify, and manage these risks.

The landscape of cyber threats is constantly evolving, making it increasingly challenging to effectively defend against them or implement sufficient preventative measures. We have observed a rise in the volume, frequency, and sophistication of cyber-attacks. There can be no assurance that our controls and procedures in place to monitor and mitigate the risks of cyber threats, including the remediation of critical information security and software vulnerabilities, will be sufficient and/or timely and that we will not suffer material losses or consequences in the future. Additionally, while we have in place insurance coverage designed to address certain aspects of cyber risks, such insurance coverage may be insufficient to cover all insured losses or all types of claims that may arise. For more information regarding the cybersecurity risks that we face, see “Risks Related to Our Control Environment – Breaches of our information systems and cyberattacks could compromise our intellectual property and cause significant damage to our business and reputation” included as part of our risk factor disclosures in Part I, Item 1A of this report.

We have adopted and continue to maintain a cybersecurity risk management program that implements various controls, technology, and procedures for the evaluation, identification, and handling of significant cybersecurity risks that could impact the confidentiality, integrity, or availability of our information systems.

Our practices include providing ongoing security awareness training for our global workforce, conducting ransomware and phishing simulations, deploying advanced tools for detecting and analyzing anomalous network activities, and implementing robust containment and incident response procedures. We leverage threat intelligence from our security vendors, as well as from trusted sources such as CISA and the FBI, to enhance our defenses and stay ahead of emerging threats. Additionally, we are committed to staying aligned with the latest industry standards and actively participating in industry forums to exchange insights and proactively address evolving cybersecurity challenges.

A critical component of our cybersecurity strategy is the integration of a third-party Security Operations Center support, which monitors our global network environment on a 24/7/365 basis, and is designed to rapidly identify and respond to threats. This program monitors both internally detected and externally reported vulnerabilities that could impact our products, which are then evaluated for their cybersecurity implications according to Company protocols. We also utilize third-party service providers as part of our cybersecurity risk management program and maintain a framework for managing cybersecurity risks presented by our third-party Service Providers. This framework governs the third party’s security management system and mandates that the program (i) adhere to certain information handling and asset management protocols and (ii) promptly notify us of any cybersecurity incidents that impact its systems.

Our enterprise risk management (“ERM”) framework is designed to systematically integrate the assessment, identification, and handling of cybersecurity-related risks into our broader risk management strategy. This process involves an annual evaluation of the spectrum of risks facing the enterprise, including those related to cybersecurity. When elevated cybersecurity risks are detected, designated risk owners are tasked with formulating and overseeing the execution of targeted mitigation strategies.

We did not experience any material losses relating to cybersecurity threats or incidents for the year ended December 31, 2024. We are not aware of any risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected us or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition.

### ***Governance***

Adtran maintains a cybersecurity governance structure led by its Information Security Management “ISM” team, which oversees the Company’s cybersecurity risk management efforts. The ISM team ensures that appropriate controls are in place to protect Adtran’s corporate assets, ensuring their availability, confidentiality, and integrity. This risk management approach informs strategic decision-making, resource allocation, and oversight mechanisms. The governance of Adtran’s cybersecurity program is ultimately the responsibility of the Board of Directors, with the Audit Committee providing critical oversight through regular reviews and periodic updates at least quarterly, or more frequently as needed.

The Company’s cybersecurity leadership includes the Chief Information Officer “CIO”/Chief Information Security Officer “CISO”, who is responsible for governing and protecting Adtran’s information assets, leading the cybersecurity strategy, and reporting directly to the Chief Executive Officer. The CIO/CISO ensures compliance with ISO 27001, oversees annual external audits, and leads the monthly Information Technology Cybersecurity meetings and the Data Privacy Committee. Since joining Adtran in November 2018, the CIO/CISO has leveraged extensive leadership experience to enhance the company’s security posture. Additionally, the Chief Technology Officer (“CTO”), who joined the company in January 2023 following the Business Combination, plays a key role in product

security oversight, drawing on prior experience as Adtran Networks' CTO leading their product management and advanced technology teams. Our CTO helps oversee our product security programs.

Adtran employs a comprehensive cybersecurity program that integrates proactive risk management strategies to identify, assess, and mitigate cybersecurity threats. Key elements of this program include an Incident Response Plan to manage and resolve security incidents, regular vulnerability scanning to identify and address potential risks, and a structured patch management process to ensure timely remediation of security vulnerabilities. Additionally, the Company has established a dedicated Product Security Incident Response Team (PSIRT) to assess and respond to product security vulnerabilities. To strengthen its security culture, Adtran implements a Cybersecurity Testing and Awareness Program, requiring all employees to participate in quarterly cybersecurity assessments and complete mandatory annual training. This initiative ensures that employees remain well-informed about emerging cybersecurity threats and best practices, reinforcing a proactive security mindset across the organization.

Cybersecurity risk management is integrated into Adtran's Enterprise Risk Management "ERM" program, in order to provide for continuous oversight and executive engagement. The ERM program undergoes quarterly executive reviews and annual assessments by the Board of Directors, and the Board receives regular briefings on cybersecurity risks, regulatory compliance, and security program updates from management. Key policies include the Information Security Program, which establishes governance principles across facilities, employees, business partners, and customers; the Cybersecurity Framework, which ensures compliance with ISO 27001 and industry standards; employee handbooks outlining security best practices; and the Incident Response Plan, which includes a material impact assessment workflow to support timely regulatory disclosures.

*For additional discussion of risks associated with cybersecurity, see "Risk Factors – Breaches of our information systems and cyberattacks could compromise our intellectual property and cause significant damage to our business and reputation."*

---

## **ITEM 2. PROPERTIES**

Our global headquarters and certain administrative, engineering and manufacturing facilities are located on an 82-acre campus in Cummings Research Park in Huntsville, Alabama. The office buildings in Huntsville, Alabama serve both our Network Solutions and our Services & Support segments. We are currently in the process of selling a portion of our headquarters facility and expect to sell it within the next twelve months, so it is classified as assets held for sale on our balance sheet. In order to facilitate this, we have relocated the associated operations located in our North and South Towers to our East Tower without any significant disruption to our operations. We lease a facility for our European headquarters in Munich, Germany. We lease engineering facilities in the U.S., EMEA and APAC that are used to develop products sold by our Network Solutions segment. In addition, we lease office space in North America, Latin America, EMEA and APAC, which provide sales and service support for both of our segments. These cancelable and non-cancelable leases expire at various times through 2039. For more information, see Note 7 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.

We also have numerous sales and support staff operating from home-based offices serving both our Network Solutions and our Services & Support segments, which are located within the U.S. and abroad.

---

## **ITEM 3. LEGAL PROCEEDINGS**

The information presented under the caption "DPLTA Appraisal Proceedings" in Note 18 "Commitments and Contingencies" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report is incorporated herein by reference.

---

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ***ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

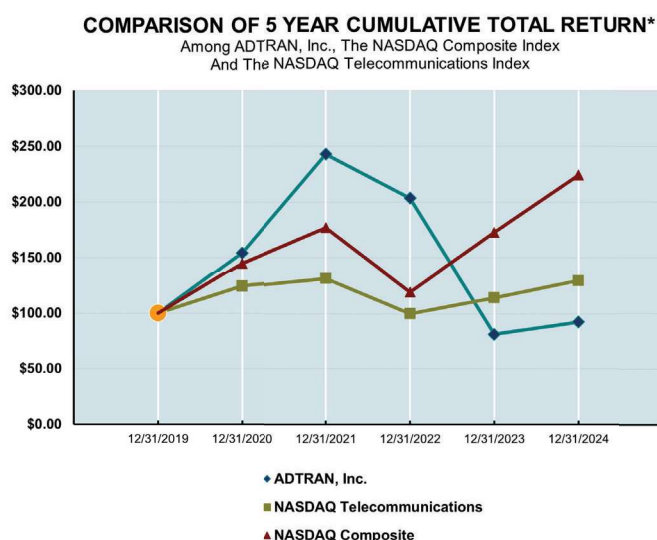
Our common stock is traded on the NASDAQ Global Select Market under the symbol "ADTN" and the Frankfurt Stock Exchange under the symbol "QH9". As of January 24, 2025, we had 47 stockholders of record and approximately 15,860 beneficial owners of shares held in street name.

#### **Dividends**

We declared a quarterly dividend of \$0.09 per share of common stock to record holders during each of the quarters through September 30, 2023. On November 6, 2023, the Board of Directors suspended the Company's quarterly cash dividend in order to reduce debt and interest expense and support the Company's Business Efficiency Program. The payment of any future dividends will be at the discretion of the Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements, and any other factors deemed relevant by the Board of Directors. In addition, the Wells Fargo Credit Agreement currently does not allow for the payment of dividends to stockholders. *For additional information, see Note 18 of the Notes to Consolidated Financial Statements included in Part II, Item 8 and Liquidity & Capital Resources included in Part II, Item 7 of this report.*

#### **Performance Graph**

The graph below matches our cumulative 5-Year total stockholder return on common stock (specifically, the total stockholder return on ADTRAN, Inc.'s common stock for all periods prior to the Merger and that of ADTRAN Holdings, Inc. following the Merger) with the cumulative total returns of the NASDAQ Telecommunications index and the NASDAQ Composite index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from December 31, 2019 to December 31, 2024. In accordance with the rules of the SEC, this section, captioned "Performance Graph," is not incorporated by reference into any of our future filings made under the Exchange Act or the Securities Act of 1933, as amended (the "Securities Act"). The Performance Graph, including its accompanying table and footnotes, is not deemed to be soliciting material or to be filed under the Exchange Act or the Securities Act.



\* \$100 invested on 12/31/19 in stock or index-including reinvestment of dividends. Fiscal year ending December 31, 2024.

	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24
ADTRAN Holdings, Inc.	\$ 100.00	\$ 154.37	\$ 243.02	\$ 203.51	\$ 81.62	\$ 92.62
NASDAQ Composite	\$ 100.00	\$ 144.93	\$ 177.06	\$ 119.45	\$ 172.78	\$ 224.34
NASDAQ Telecommunications	\$ 100.00	\$ 124.19	\$ 131.83	\$ 100.08	\$ 114.43	\$ 129.93

*The stock price performance included in this graph is not necessarily indicative of future stock price performance. The Company's cumulative total returns for the period December 31, 2019 through December 31, 2021 relate to Adtran, Inc. prior to the Business Combination and the Company's cumulative total returns for the period December 31, 2022 through December 31, 2024 relate to Adtran Holdings, Inc. subsequent to the Business Combination.*

### Purchases of Equity Securities

The following table sets forth repurchases of our common stock for the months indicated.

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup></u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
October 1, 2024 – October 31, 2024	5,477	\$ 6.02	—	—
November 1, 2024 – November 30, 2024	62,046	\$ 7.75	—	—
December 1, 2024 – December 31, 2024	86	\$ 8.54	—	—
<b>Total</b>	<b>67,609</b>		—	

- <sup>(1)</sup> During the year ended December 31, 2024, the Company did not repurchase any shares of Company common stock as part of a publicly announced plan or program and there is no current authorization to repurchase Company common stock. The shares purchased relate to shares withheld to cover taxes for vested stock awards.

## **ITEM 6. RESERVED**

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes included in Part II, Item 8 of this report. We have omitted discussion of the earliest of the three years of financial condition and results of operations and this information can be found in Part I, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Part I, Item 1A, Risk Factors, included in Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 15, 2024 (the "2023 Form 10-K"), as well as Part I, Item 1, Business, included in our Annual Report on Form 10-K filed with the SEC on March 15, 2024, which is available free of charge on the SEC's website at <http://www.sec.gov> and on our website at [www.adtran.com](http://www.adtran.com).*

*This discussion is designed to provide the reader with information that will assist in understanding our consolidated financial statements, the changes in certain key items in those financial statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our consolidated financial statements. See "Cautionary Note Regarding Forward-Looking Statements" on page 2 of this report for a description of important factors that could cause actual results to differ from expected results. See also Part I, Item 1A, Risk Factors, of this Form 10-K.*

*Unless the context otherwise indicates or requires, references in this Annual Report on Form 10-K to "Adtran", the "Company," "we," "us" and "our" refer to ADTRAN Holdings, Inc. and its consolidated subsidiaries for periods subsequent to the Merger and to ADTRAN, Inc. and its consolidated subsidiaries for periods prior to the Merger. The prior period results do not include the results of Adtran Networks prior to the Business Combination which occurred on July 15, 2022. Furthermore, unless the context otherwise indicates or requires, references in this Annual Report on Form 10-K to "Adtran Networks" refer to Adtran Networks SE (formerly ADVA Optical Networking SE).*

### **Overview**

The Company is a leading global provider of networking and communications platforms, software, systems and services focused on carrier networks, data center interconnect for private enterprise networks and mission critical infrastructure. It is serving a diverse domestic and international customer base in multiple countries that includes Large, Medium and Small Service Providers, alternative Service Providers, such as utilities, municipalities and fiber overbuilders; cable/MSOs; SMBs; distributed enterprises, including Fortune 500 companies with sophisticated business continuity applications; and federal, state and local government agencies.

Our innovative solutions and services enable voice, data, video and internet-communications across a variety of network infrastructures and are currently in use by millions worldwide. We support our customers through our direct global sales organization and our distribution networks. Our success depends upon our ability to have customers adopt our technology, increase unit volume and market share through the introduction of new products and succeeding generations of products having optimal selling prices and increased functionality as compared to both the prior generation of a product and the products of competitors in order to gain market share. To service our customers and grow revenue, we are continually conducting research and developing new products addressing customer needs and testing those products for the specific requirements of the particular customers. We offer a broad portfolio of flexible software and hardware network solutions and services that enable Service Providers to meet today's service demands while enabling them to transition to the fully converged, scalable, highly-automated, cloud-controlled voice, data, internet and video network of the future. In addition to our global headquarters in Huntsville, Alabama, and our European headquarters in Munich, Germany, we have sales and research and development facilities in strategic global locations.

The Company solely owns ADTRAN, Inc. and is the majority shareholder of Adtran Networks (formerly ADVA Optical Networking SE). Adtran is a leading global provider of open, disaggregated networking and communications solutions. Adtran Networks is a global provider of network solutions for data, storage, voice and video services. We believe that the combined technology portfolio can best address current and future customer needs for high-speed connectivity from the network core to the end consumer, especially upon the convergence of solutions at the network edge.

The chief operating decision maker regularly reviews the Company's financial performance based on two reportable segments: (1) Network Solutions and (2) Services & Support. In addition to operating under two reportable segments, the Company also reports revenue across three categories – Subscriber Solutions, Access & Aggregation Solutions and Optical Networking Solutions.

Our Subscriber Solutions portfolio is used by Service Providers to terminate their access services infrastructure at customers' premises while providing an immersive and interactive experience for residential, business and wholesale subscribers. This revenue category includes hardware- and software-based products and services. These solutions include our Mosaic One SaaS applications, fiber termination solutions for residential, business and wholesale subscribers, Wi-Fi access solutions for residential and business subscribers, Ethernet switching and network edge virtualization solutions for business subscribers and cloud software solutions covering a mix of subscriber types.

Our Access & Aggregation Solutions are solutions that are used by communications Service Providers to connect residential subscribers, business subscribers and mobile radio networks to the Service Providers' metro network, primarily through fiber-based connectivity. This revenue category includes hardware- and software-based products and services. Our solutions within this category are a mix of fiber access and aggregation platforms, precision network synchronization and timing solutions and access orchestration solutions that ensure highly reliable and efficient network performance.

Our Optical Networking Solutions are used by communications Service Providers, internet content providers and large-scale enterprises to securely interconnect metro and regional networks over fiber. This revenue category includes hardware- and software-based products and services. Our solutions within this category include open optical terminals, open line systems, optical subsystems and modules, network infrastructure assurance systems and automation platforms that are used to build high-scale, secure and assured optical networks.

### **Adtran Networks Domination and Profit and Loss Transfer Agreement**

The DPLTA between the Company, as the controlling company, and Adtran Networks, as the controlled company, which was executed on December 1, 2022, became effective on January 16, 2023, as a result of its registration with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) at the registered seat of Adtran Networks (Jena).

Under the DPLTA, subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, (i) the Company is entitled to issue binding instructions to the management board of Adtran Networks, (ii) Adtran Networks will transfer its annual profit to the Company, subject to, among other things, the creation or dissolution of certain reserves, and (iii) the Company will generally absorb the annual net loss incurred by Adtran Networks. The Company's payment obligation in satisfaction of the requirement that it absorb Adtran Networks' annual net loss applied for the first time to the net loss generated in 2023.

Additionally, and subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, the DPLTA provides that Adtran Networks shareholders (other than us) be offered, at their election, (i) to put their Adtran Networks shares to the Company in exchange for compensation in cash of €17.21 per share plus guaranteed interest (the "Exit Compensation"), or (ii) to remain Adtran Networks shareholders and receive a recurring compensation in cash of €0.52 per share for each full fiscal year of Adtran Networks (the "Annual Recurring Compensation"). The guaranteed interest component under the Exit Compensation is calculated from the effective date of the DPLTA to the date the shares are tendered, less any Annual Recurring Compensation paid. The guaranteed interest rate is 5.0% plus a variable component that was 3.37% as of December 31, 2024. The Annual Recurring Compensation is due on the third banking day following the ordinary general shareholders' meeting of Adtran Networks for the respective preceding fiscal year (but in any event within eight months following expiration of the fiscal year). With respect to the 2023 fiscal year, Adtran Networks' ordinary general shareholders' meeting occurred on June 28, 2024, and therefore, the Annual Recurring Compensation was paid on July 3, 2024. With respect to the 2024 fiscal year, Adtran Networks' ordinary general shareholder meeting is scheduled for June 27, 2025, and therefore, the Annual Recurring Compensation will be due on July 2, 2025. The adequacy of both forms of compensation has been challenged by minority shareholders of Adtran Networks via court-led appraisal proceedings under German law, and it is possible that the courts in such appraisal proceedings may adjudicate a higher Exit Compensation (including interest thereon) or Annual Recurring Compensation than agreed upon in the DPLTA.

The opportunity for outside Adtran Networks shareholders to tender Adtran Networks shares in exchange for Exit Compensation had been scheduled to expire on March 16, 2023. However, due to the appraisal proceedings that have been initiated in accordance with applicable German law, this time period for tendering shares has been extended pursuant to the German Stock Corporation Act (*Aktengesetz*) and will end two months after the date on which a final decision in such appraisal proceedings has been published in the Federal Gazette (*Bundesanzeiger*). The Company expects to receive a procedural decision during 2025 that will likely be appealed. The date of a decision by the court on the merits of the case is uncertain, but it is unlikely that such decision will be rendered in 2025. Thereafter, an expected appeal process will take a further 12-24 months to resolve. For the year ended December 31, 2024, approximately 831 thousand shares of Adtran Networks stock were tendered to the Company. This resulted in total Exit Compensation payments of approximately €15.7 million, or approximately \$17.4 million, based on exchange rates at the time of the transactions, being paid to Adtran Networks shareholders. For the year ended December 31, 2023, 67 thousand shares of Adtran Networks stock were tendered to the Company and Exit Compensation payments of approximately €1.2 million or approximately \$1.3 million based on an exchange rate as of December 31, 2023, were paid to Adtran Networks' shareholders.

In addition to our cash and cash equivalents and the credit facility, we may fund a portion or all of the Exit Compensation through the sale of securities or additional alternative funding sources, if available. There can be no assurances that we would be successful in effecting these actions on commercially reasonable terms or at all. If we cannot raise additional funds as needed, it could have a material adverse impact on our financial results and financial condition.

We currently hold 34,856,232 no-par value bearer shares of Adtran Networks, representing 67.0% of Adtran Networks outstanding shares as of December 31, 2024.



The foregoing description of the DPLTA does not purport to be complete and is qualified in its entirety by reference to the DPLTA, a non-binding English translation of which is incorporated by reference to Exhibit 10.7 included in our Annual Report on Form 10-K for the year ended December 31, 2023.

### **Business Efficiency Program**

During the fourth quarter of 2023, the Company initiated a Business Efficiency Program designed to optimize the assets, business processes, and information technology systems of the Company in relation to the Business Combination with Adtran Networks. The Business Efficiency Program included expenses specifically associated with achieving run-rate synergies as well as Business Efficiency Program expenses described below. Other than the Company's aim of selling its headquarters, the Business Efficiency Program was substantially complete as of December 31, 2024. *See Note 20 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report for additional information.*

During the years ended December 31, 2024 and 2023, we recognized \$44.7 million and \$25.1 million of costs relating to the Business Efficiency Program, respectively. Future cash payments include severance costs, outplacement fees and site consolidation that are anticipated to be approximately \$10.3 million.

### **Business Combination Integration Costs**

During the years ended December 31, 2024 and 2023, we recognized \$1.9 million and \$4.9 million, respectively, of integration costs related to the Business Combination were incurred. These transaction costs are included in selling, general and administrative expenses, research & development expenses and cost of revenue in the Consolidated Statement of Loss. The Company does not anticipate additional material expenses to be incurred in connection with this integration program.

### **Financial Performance and Trends**

We ended 2024 with a year-over-year revenue decrease of 19.7%, driven by decreased volume of sales activity due to customers' focus on reducing inventory levels and continuing uncertain macroeconomic conditions related to elevated inflation, elevated interest rates and currency fluctuation which impacted the spending behavior of our customers. During 2024, we had one customer with revenues greater than 10.0% which was an international Service Provider customer and our next five largest customers comprised 21.7% of our revenue. Our year-over-year domestic revenue decreased by 13.6% and continued to be impacted by elevated customer inventory levels, continuing effects of uncertain macroeconomic conditions and decreased shipments to distributor customers. Internationally, our year-over-year revenue decreased by 23.8%, primarily driven by decreased shipments to network operators in Europe and the unfavorable impact of foreign exchange on revenue as a result of the strengthened U.S. dollar.

Access & Aggregation and Optical Networking revenue categories experienced a general slowdown in revenue as a result of reduced spending by our Service Provider customers as they continue to reduce excess inventory levels and monitor the uncertain macroeconomic conditions. Despite these challenges, we have maintained our emphasis on product development to enable us to respond to rapidly changing technology and evolving industry standards. For example, we expect public funding through projects such as IPCEI ME/CT to further our research and development for new communication technologies. Additionally, public funding through the Broadband Equity, Access and Deployment Program is expected to commence in 2025, which provides a positive outlook for the future. Nevertheless, these government-supported loan programs and grants generally include conditions such as deployment criteria, domestic preference provisions and other requirements that apply to the project and selected equipment as conditions for funding, which we expect will influence the extent to which such programs will have an impact on our revenue. In Europe, we continue to see increased activity from high-risk vendor replacement and broadband subsidy programs.

While our 2023 and 2024 revenues have fluctuated and may continue to fluctuate on a quarterly basis, during the fourth quarter of 2024, our operating results have improved due to slowly stabilizing revenues, improving margins and tight operational cost controls. Nevertheless, a significant percentage of orders require delivery within a few days, requiring us to maintain higher inventory levels. These factors may result in limited order flow visibility. We have taken decisive steps to transform our business into a leaner, more efficient and more profitable company, including the substantial completion of our Business Efficiency Program (other than the Company's aim of selling its headquarters), which included a significant cost efficiency program targeting a reduction of ongoing operating expenses and a capital efficiency program inclusive of certain salary reductions, an early retirement program, a site consolidation plan to include lease impairments and the partial sale of owned real estate (including the potential sale of portions of our headquarters), inventory write downs from product discontinuances, and the suspension of the quarterly dividend. Our operating expenses are relatively fixed in the short term, therefore, a shortfall in quarterly revenues has and may again in the future significantly impact our financial results in a given quarter.

Our operating results have significantly fluctuated and may do so in the future as a result of a number of other factors, including a decline in general economic and market conditions, foreign currency exchange rate movements, inflation, increased competition, customer order patterns, changes in product and services mix, trade policies, timing differences between price decreases and product cost reductions, product warranty returns, expediting costs, tariffs and announcements of new products by us or our competitors. In recent years, inflationary pressures on input costs, such as raw materials and labor, and distribution costs had a negative impact on our operating

results. However, inflationary pressures on our supply chain have eased somewhat, which has led to reductions in cost premiums on raw material costs and freight. We continue to support our customer demand for our products by working with our suppliers, contract manufacturers, distributors, and customers to address and to limit the disruption to our operations and order fulfillment. Additionally, maintaining sufficient inventory levels to assure prompt delivery of our products increases the amount of inventory that may become obsolete and increases the risk that the obsolescence of this inventory may have an additional adverse effect on our business and operating results beyond the effects of the most recent inventory write-downs. Also, not maintaining sufficient inventory levels to ensure prompt delivery of our products may cause us to incur expediting costs to meet customer delivery requirements, which may negatively impact our operating results.

The U.S. government issued orders in February 2025 increasing tariffs on imports from certain countries, including Canada, China and Mexico, and it has discussed further tariffs, including plans to increase U.S. tariffs to match the rates that other countries charge on imports and tariffs on semiconductors, automobiles and pharmaceuticals imported into the U.S. While the implementation of tariffs on Canadian and Mexican imports was initially deferred, such tariffs are expected to go into effect in March 2025 and the U.S. has increased tariffs on goods imported into the U.S. from China by 10%. In response, China imposed a 15% tariff on U.S. coal and liquified natural gas products, along with a 10% tariff on crude oil. The U.S. government has indicated that an additional 10% duty on Chinese imports may be forthcoming, which may result in further tariffs on U.S. products being imported into China. The recent tariffs come on top of ongoing trade tensions and regulatory actions involving the governments of the U.S. and China. Moreover, on February 11, 2025, the U.S. government ordered tariffs of 25% on imports of steel and aluminum regardless of where they originate.

We are exposed to changes in foreign currencies relative to the U.S. dollar, which are references to the differences between the foreign-exchange rates we use to convert the financial results of our international operations from local currencies into U.S. dollars for financial reporting purposes. This impact of foreign-exchange rate changes is calculated based on the difference between the current period's currency exchange rates and that of the comparable prior period. Our primary exposures to foreign currency exchange rate movements are with the euro and the British pound. As a result of our global operations, our revenue, gross margins, operating expense and operating loss in some international markets have been and may continue to be affected by foreign currency fluctuations.

The Company's policy is to assess the realizability of assets (long-lived assets, intangibles and goodwill) held within our reporting units and to evaluate such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. During the third quarter of 2023, the Company identified a triggering event due to a decrease in its market capitalization and changes in projections (decrease in estimated cash flows). While the quantitative impairment analysis indicated that there was no impairment of Network Solutions goodwill, the Company determined a \$37.9 million non-cash impairment charge for goodwill was warranted for the Services & Support reporting unit. During the fourth quarter of 2023, the Company completed its annual impairment test. There were no significant market changes or changes to cash flow projections, as such no triggering event was identified during the fourth quarter of 2023.

During the first quarter of 2024, qualitative factors such as a decrease in the Company's market capitalization, lower service provider spending and delayed holding patterns of inventory with respect to customers caused us to reduce our forecasts, triggering a quantitative impairment assessment for our reporting units. The Company determined the fair value of the Network Solutions reporting unit using a combination of an income approach and a market approach. The Company determined upon its quantitative impairment assessment to recognize a \$292.6 million non-cash goodwill impairment charge for the Network Solutions reporting unit during the three months ended March 31, 2024. The quantitative impairment analysis indicated there was no impairment of the Services & Support goodwill during the three months ended March 31, 2024. There have been no triggering events identified affecting the valuation of goodwill in our Services & Support reporting unit during the remainder of 2024.

Our historical financial performance is not necessarily a meaningful indicator of future results, and in general, management expects that our financial results may vary from period to period. *For a discussion of risks associated with our operating results, see Part I, Item 1A, Risk Factors of this report.*

## Results of Operations

The following table presents selected financial information derived from our Consolidated Statements of Loss expressed as a percentage of revenue for the years indicated. Amounts may not foot due to rounding.

	<i>Year Ended December 31,</i>		
	<i>2024</i>	<i>2023</i>	<i>2022</i>
<b>Revenue</b>			
Network Solutions	80.1%	84.8%	89.4%
Services & Support	19.9	15.2	10.6
<b>Total Revenue</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Revenue</b>			
Network Solutions	55.4	62.9	63.1
Network Solutions - other (credits), charges and inventory write-down	0.9	2.1	—
Services & Support	7.9	6.0	5.0
<b>Total Cost of Revenue</b>	<b>64.2</b>	<b>71.0</b>	<b>68.1</b>
<b>Gross Profit</b>	<b>35.8</b>	<b>29.0</b>	<b>31.9</b>
Selling, general and administrative expenses	25.3	22.5	20.4
Research and development expenses	24.0	22.5	16.9
Asset impairment	—	—	1.7
Goodwill impairments	31.7	3.3	—
<b>Operating Loss</b>	<b>(45.2)</b>	<b>(19.3)</b>	<b>(7.1)</b>
Interest and dividend income	0.3	0.2	0.2
Interest expense	(2.4)	(1.4)	(0.3)
Net investment gain (loss)	0.4	0.2	(1.1)
Other income, net	—	0.1	1.4
<b>Loss Before Income Taxes</b>	<b>(46.8)</b>	<b>(20.1)</b>	<b>(6.9)</b>
Income tax (expense) benefit	(1.0)	(2.4)	6.1
<b>Net Loss</b>	<b>(47.8)%</b>	<b>(22.6)%</b>	<b>(0.9)%</b>
<b>Net Income (loss) attributable to non-controlling interest</b>	1.1	0.6	(0.7)
<b>Net Loss attributable to ADTRAN Holdings, Inc.</b>	<b>(48.9)%</b>	<b>(23.2)%</b>	<b>(0.2)%</b>

The following discussion and financial information are presented to aid in an understanding of our current consolidated financial position, changes in financial position, results of operations and cash flows and should be read in conjunction with the audited consolidated financial statements and notes thereto included herein. The emphasis of the discussion is a comparison of the years ended December 31, 2024 and December 31, 2023. For a discussion of a comparison of the years ended December 31, 2023 and December 31, 2022, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 15, 2024.

### Comparison of Years Ended December 31, 2024 and December 31, 2023

#### Revenue

Our revenue decreased 19.7% from \$1,149.1 million for the year ended December 31, 2023 to \$922.7 million for the year ended December 31, 2024. The decrease in revenue for the year ended December 31, 2024 is primarily driven by a decrease in volume of sales activity due to customers' focus on reducing inventory levels and the completion of significant customer projects. The decrease in revenue by category for the year ended December 31, 2024 was primarily attributable to \$192.0 million decrease in Optical Networking Solutions products and a \$67.4 million decrease in Access & Aggregation Solutions partially offset by a \$33.1 million increase in Subscriber Solutions category. Continued customer concerns over inventory stocking levels have affected our revenue year-to-date in our Optical Networking Solutions category, Access & Aggregation category and our Subscriber Solutions category. This includes our two largest Optical Networking Solutions customers, which we believe are focused on reducing existing inventory.

Network Solutions segment revenue decreased 24.2% from \$974.4 million in 2023 to \$739.0 million in 2024, primarily attributable to \$196.6 million decrease in Optical Networking Solutions products and a \$71.1 million decrease in Access & Aggregation Solutions partially offset by a \$32.3 million increase in Subscriber Solutions category. More specifically, for the year ended December 31, 2024, the decrease in revenue for our Subscriber Solutions products was primarily due to lower volume of sales of our residential solutions products as a result of customers focus on reducing inventory levels.

Services & Support revenue increased 5.2% from \$174.7 million in 2023 to \$183.8 million in 2024. The increase in revenue for 2024 was primarily attributable to \$4.6 million increase in revenue for Optical Networking Solutions products, a \$3.7 million increase in revenue for Access & Aggregation Solutions revenue and a \$0.7 million increase in revenue for Subscriber Solutions services. More specifically, the increase in revenue for the year ended December 31, 2024 of our ADTRAN, Inc. operations was primarily due to higher volume of sales of our software services and business solutions services.

Domestic revenue decreased 13.6% from \$461.0 million in 2023 to \$398.2 million in 2024, driven by lower volume of sales of our residential solutions products as a result of customers' focus on reducing inventory levels in our Subscriber Solutions segment, partially offset by an increase in volume of sales activity during the first half of 2024 from the Business Combination with Adtran Networks.

International revenue, which is defined as revenue generated from the Network Solutions and Services & Support segments provided to a customer outside of the U.S., decreased 23.8% from \$688.1 million for the year ended December 31, 2023 to \$524.6 million for the year ended December 31, 2024. International revenue, as a percentage of total revenue, decreased from 59.8% for the year ended December 31, 2023 to 56.8% for the year ended December 31, 2024. The decrease in international revenue in 2024 was primarily due to the conclusion of specific customer projects and customer concerns over inventory levels. For the year ended December 31, 2024 as compared to the year ended December 31, 2023, changes in foreign currencies relative to the U.S. dollar increased our net revenue by approximately \$5.4 million.

Our ADTRAN, Inc. international revenue is largely focused on broadband infrastructure and is consequently affected by the decisions of our customers as to timing for installation of new technologies, expansion of their networks and/or network upgrades. Our international customers must make these decisions in the regulatory and political environment in which they operate – both nationally and in some instances, regionally – whether of a multi-country region or a more local region within a country. Consequently, while we expect the global trend towards deployment of more robust broadband speeds and access to continue creating additional market opportunities for us, the factors described above may result in pressure on revenue and operating income. Our Adtran Networks international revenue is largely focused on the manufacture and selling of networking solutions that are based on three core areas of expertise: fiber-optic transmission technology (cloud interconnect), cloud access technology for rapid creation of innovative services around the network edge and solutions for precise timing and synchronization of networks. In addition, Adtran Networks' international operations offers a comprehensive portfolio of network design, implementation and maintenance services to assist operators in the deployment of market-leading networks while reducing their cost to maintain these networks.

### **Cost of Revenue**

As a percentage of revenue, cost of revenue decreased from 71.0% for the year ended December 31, 2023 to 64.2% for the year ended December 31, 2024. The decrease for the twelve months ended December 31, 2024 was attributable to (1) a 2.6% decrease in expense as a percentage of revenue related to decreased amortization of intangible backlog, developed technology and fair value adjustments to inventory costs that flow through to cost of revenue as a result of the Business Combination with Adtran Networks, (2) a 2.7% decrease in expense as a percentage of revenue related to decreased acquisition costs, (3) a 1.4% decrease in expense as a percentage of revenue in connection with our Business Efficiency Program (primarily a decrease in inventory write-offs related to our strategy shift which included discontinuance of certain product lines, partially offset by increases in severance and employee related costs), (4) a 0.1% decrease in expense as a percentage of revenue attributable to changes in customer and product mix. For the year ended December 31, 2024, changes in foreign currencies relative to the U.S. dollar increased our cost of revenue by approximately \$0.7 million.

Network Solutions cost of revenue, as a percentage of that segment's revenue, decreased from 76.7% of revenue in 2023 to 70.3% of revenue in 2024. The decrease in cost of revenue as a percentage of revenue for the twelve months ended December 31, 2024 was attributable to (1) a 3.3% decrease in expense as a percentage of revenue related to decreased amortization of intangible backlog, developed technology and fair value adjustments to inventory costs that flow through to cost of revenue as a result of the Business Combination with Adtran Networks, (2) a 3.4% decrease in expense as a percentage of revenue related to decreased acquisition costs, and (3) a 1.9% decrease in expense as a percentage of revenue in connection with our Business Efficiency Program, which resulted in an inventory write down and other charges of \$8.6 million incurred as a result of a strategy shift including discontinuance of certain product lines, partially offset by (4) a 2.2% increase in expense as a percentage of revenue attributable to changes in customer and product mix.

Services & Support cost of revenue, as a percentage of that segment's revenue, remained flat at 39.6% of revenue in 2023 and 2024.

Services & Support revenue is comprised of network planning and implementation, maintenance, support and cloud-based management services, with network planning and implementation being the largest and fastest growing component in the long-term. Compared to our other services, such as maintenance, support and cloud-based management services, our network planning and implementation services typically utilize a higher percentage of internal and subcontracted engineers, professionals and contractors to perform the work for customers. The additional costs incurred to perform these infrastructure and labor-intensive services inherently result in lower average gross margins as compared to maintenance and support services. Within the Services & Support segment, we do expect variability in gross margins from quarter-to-quarter based on the mix of the services recognized.

## **Gross Profit**

As a percentage of revenue, gross profit increased from 29.0% for the year ended December 31, 2023 to 35.8% for the year ended December 31, 2024. The increase for the twelve months ended December 31, 2024 was attributable to (1) a 2.6% increase in gross profit as a percentage of revenue related to decreased amortization of intangible backlog, developed technology and fair value adjustments to inventory costs that flow through to cost of revenue as a result of the Business Combination with Adtran Networks, (2) a 2.7% increase in gross profit as a percentage of revenue related to decreased acquisition costs, (3) a 1.4% increase in gross profit as a percentage of revenue in connection with decreased expenses with our Business Efficiency Program (primarily a decrease in inventory write-offs related to our strategy shift which included discontinuance of certain product lines, partially offset by increases in severance and employee related costs), (4) a 0.1% increase in gross profit as a percentage of revenue attributable to changes in customer and product mix.

As a percentage of that segment's revenue, Network Solutions gross profit increased from 23.3% for the year ended December 31, 2023 to 29.7% for the year ended December 31, 2024. The increase for the twelve months ended December 31, 2024 was attributable to (1) a 3.3% increase in gross profit as a percentage of revenue related to decreased amortization of intangible backlog, developed technology and fair value adjustments to inventory costs that flow through to cost of revenue as a result of the Business Combination with Adtran Networks, (2) a 3.4% increase in gross profit as a percentage of revenue related to decreased acquisition costs, and (3) a 1.9% increase in gross profit as a percentage of revenue in connection with decreased expenses with our Business Efficiency Program, which resulted in an inventory write down and other charges of \$8.6 million incurred as a result of a strategy shift including discontinuance of certain product lines, (4) partially offset by a 2.2% decrease in gross profit as a percentage of revenue attributable to changes in customer and product mix.

As a percentage of that segment's revenue, Services & Support gross profit remained flat at 60.4% for the years ended December 31, 2023 and 2024.

## **Selling, General and Administrative Expenses**

As a percentage of revenue, selling, general and administrative expenses increased from 22.5% for the year ended December 31, 2023, to 25.3% for the year ended December 31, 2024. Selling, general and administrative expenses as a percentage of revenue will generally fluctuate whenever there is a significant fluctuation in revenue for the periods being compared. Other than our stated aim of selling our headquarters, we have substantially completed implementation of our Business Efficiency Program. We expect to continue to see lower selling, general and administrative expenses as a percentage of revenue over time.

Selling, general and administrative expenses decreased 9.6% from \$258.1 million for the year ended December 31, 2023, to \$233.4 million for the year ended December 31, 2024. Selling, general and administrative expenses include personnel costs for management, accounting, information technology, human resources, sales and marketing, as well as independent auditor, tax and other professional fees, contract services and legal and litigation related costs. The decrease in selling, general and administrative expenses for the twelve months ended December 31, 2024, compared to the twelve months ended December 31, 2023, was primarily attributable to the impact of the Company's Business Efficiency Program and integration programs. Specifically, the Company reduced its employee-related costs by \$20.4 million. For the year ended December 31, 2024, as compared to the year ended December 31, 2023, changes in foreign currencies relative to the U.S dollar increased our selling, general and administrative expenses by approximately \$0.6 million.

## **Research and Development Expenses**

As a percentage of revenue, research and development expenses increased from 22.5% for the year ended December 31, 2023, to 24.0% for the year ended December 31, 2024. Research and development expenses as a percentage of revenue will generally fluctuate whenever there are incremental product development activities or significant fluctuations in revenue for the periods being compared. Other than our stated aim of selling our headquarters, we have substantially completed implementation of our Business Efficiency Program. We expect to continue to see lower research and development expense as a percentage of revenue over time.

Research and development expenses decreased 14.3% from \$258.3 million for the year ended December 31, 2023, to \$221.5 million for the year ended December 31, 2024. The decrease in research and development expenses for the twelve months ended December 31, 2024, was primarily attributable to the impact of the Company's Business Efficiency Program and integration programs. Specifically, the Company reduced its employee-related costs by \$16.7 million and contract services by \$7.9 million. For the year ended December 31, 2024 as compared to the year ended December 31, 2023, changes in foreign currencies relative to the U.S. dollar increased our research and development expenses by approximately \$1.4 million.

Adtran Networks has arrangements with governmental entities for the purposes of obtaining funding for research and development activities. The Company classifies government grants received under these arrangements as a reduction to research and development expense incurred. For the years ended December 31, 2024 and 2023, the Company recognized \$9.7 million and \$5.2 million, respectively, as a reduction of research and development expense.

We expect to continue to incur research and development expenses in connection with our new and existing products. We continually evaluate new product opportunities and engage in significant research and product development efforts, which provides for new product development, enhancement of existing products and product cost reductions. We may incur significant research and development expenses prior to the receipt of revenue from a major new product group.

### **Asset Impairments**

In connection with the planned integration of information technology following the Business Combination, we determined that certain projects no longer fit our needs. As a result, the Company recognized impairment charges of \$17.4 million during the year ended December 31, 2022, primarily attributable to capitalized implementation costs for a cloud computing arrangement. There were no asset impairments recognized during the years ended December 31, 2024 and 2023. *See Note 9 of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

### **Goodwill Impairment**

During the first quarter of 2024, qualitative factors such as a decrease in the Company's market capitalization, cautious service provider spending due to economic uncertainty and continued customer focus on inventory adjustments, triggered a quantitative impairment assessment for our reporting units for goodwill and long-lived assets. The Company determined upon its quantitative impairment assessment to recognize a \$292.6 million non-cash goodwill impairment charge for the Network Solutions reporting unit.

During the third quarter of 2023, qualitative factors, such as a decrease in the Company's market capitalization and long-term projections, triggered a quantitative impairment assessment for our reporting units. The Company determined upon its quantitative impairment assessment to recognize a \$37.9 million non-cash goodwill impairment charge for the Services & Support reporting unit. There were no goodwill impairments recognized during the year ended December 31, 2022. *See Note 8 of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

### **Interest and Dividend Income**

Interest and dividend income increased by 30.7% from \$2.3 million for the year ended December 31, 2023 to \$3.1 million for the year ended December 31, 2024. The increase in interest and dividend income is primarily attributable to fluctuations in investment balances and an increase in the rate of return on those investments due to interest rate movements.

### **Interest Expense**

Interest expense increased from \$16.3 million for the year ended December 31, 2023 to \$22.1 million for the year ended December 31, 2024. The increase in interest expense was primarily driven by higher amortization of debt issuance costs, as well as higher interest rates associated with the amendments of the Credit Agreement and higher average borrowings outstanding versus the twelve months ending December 31, 2023. *See Note 11 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report and "Financing Activities" in "Liquidity and Capital Resources" below.*

### **Net Investment Gain (Loss)**

We recognized a net investment gain of \$2.8 million and a gain of \$3.6 million for the years ended December 31, 2023 and 2024, respectively. The fluctuations in our net investments were primarily attributable to market driven changes in the fair value of our securities recognized during the period. We expect that any future market volatility could result in continued fluctuations in our investment portfolio. *See "Investing Activities" in "Liquidity and Capital Resources" of this report and Note 1 and Note 4 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

### **Other Income, net**

Other income, net, which primarily consisted of gains and losses on foreign currency transactions and income from excess material sales, decreased from income of \$1.3 million for the year ended December 31, 2023 to income of \$0.2 million for the year ended December 31, 2024. *See Note 10 of Notes to Consolidated Financial Statements included in Part II, Item 8 of the report for additional information on foreign exchange contracts.*

### **Income Tax (Expense) Benefit**

Our effective tax rate changed from an expense of 12.2%, for the year ended December 31, 2023 to an expense of 2.0% for the year ended December 31, 2024. The change in the effective tax rate for the year ended December 31, 2024, was driven primarily by non-deductible impairment charges and changes in our valuation allowance. *See Note 12 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

## Net Loss Attributable to ADTRAN Holdings, Inc.

As a result of the above factors, our net loss attributable to ADTRAN Holdings, Inc. increased from \$266.3 million for the year ended December 31, 2023 to a net loss of \$450.9 million for the year ended December 31, 2024. As a percentage of revenue, net loss was 23.2% for the year ended December 31, 2023 and net loss was 48.9% for the year ended December 31, 2024.

## Liquidity and Capital Resources

### *Liquidity*

We have historically financed our ongoing business with existing cash, investments and cash flow from operations; however, we have increasingly relied upon our credit arrangements to manage our working capital needs. We had a positive cash flow from operating activities of \$103.1 million in the twelve months ended December 31, 2024. We have used, and expect to continue to use, existing cash, credit arrangements and cash generated from operations for working capital and other general corporate purposes, including product development activities to enhance our existing products and develop new products, expand our sales and marketing activities and fund capital expenditures.

As of December 31, 2024, our cash on hand was \$77.6 million of which \$54.2 million was held by our foreign subsidiaries. The Company had access to \$180.8 million on its Credit Facility for future borrowings; however, as of December 31, 2024, the Company was limited to additional borrowings of \$56.1 million based on debt covenant compliance metrics. Generally, we intend to permanently reinvest funds held outside the U.S., except to the extent that any of these funds can be repatriated without withholding tax. As of December 31, 2023, our cash on hand was \$87.2 million, of which \$73.0 million was held by our foreign subsidiaries.

Under the DPLTA, subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, (i) the Company is entitled to issue binding instructions to the management board of Adtran Networks, (ii) Adtran Networks will transfer its annual profit to the Company, subject to, among other things, the creation or dissolution of certain reserves, and (iii) the Company will generally absorb the annual net loss incurred by Adtran Networks. The Company's payment obligation in satisfaction of the requirement that it absorb Adtran Networks' annual net loss applied for the first time to the net loss generated in 2023.

Pursuant to the terms of the DPLTA, each Adtran Networks shareholder (other than the Company) has received an offer to elect either (1) to remain an Adtran Networks shareholder and receive from us an Annual Recurring Compensation payment, or (2) to receive Exit Compensation plus guaranteed interest. The guaranteed interest under the Exit Compensation is calculated from the effective date of the DPLTA to the date the shares are tendered, less any Annual Recurring Compensation paid. The guaranteed interest rate is 5.0% plus a variable component (according to the German Civil Code) that was 3.37% as of December 31, 2024. Assuming all the minority holders of currently outstanding Adtran Networks shares were to elect the second option, we would be obligated to make aggregate Exit Compensation payments, including guaranteed interest, of approximately €333.2 million or approximately \$344.9 million, based on an exchange rate as of December 31, 2024 and reflecting interest accrued through December 31, 2024 during the pendency of the appraisal proceedings discussed below. Shareholders electing the first option of Annual Recurring Compensation may later elect the second option. The opportunity for outside Adtran Networks shareholders to tender Adtran Networks shares in exchange for Exit Compensation had been scheduled to expire on March 16, 2023. However, due to the appraisal proceedings that have been initiated in accordance with applicable German law, this time period for tendering shares has been extended pursuant to the German Stock Corporation Act (*Aktengesetz*) and will end two months after the date on which a final decision in such appraisal proceedings has been published in the Federal Gazette (*Bundesanzeiger*). The Company expects to receive a procedural decision during 2025 that will likely be appealed. The date of a decision by the court on the merits of the case is uncertain, but it is unlikely that such decision will be rendered in 2025. Thereafter an expected appeal process will take a further 12-24 months to resolve.

Additionally, our obligation to pay Annual Recurring Compensation under the DPLTA is a continuing payment obligation, which will amount to approximately €8.9 million or \$9.3 million (based on the current exchange rate) per year assuming none of the minority Adtran Networks shareholders were to elect Exit Compensation. The foregoing amounts do not reflect any potential increase in payment obligations that we may have depending on the outcome of ongoing appraisal proceedings in Germany. The Annual Recurring Compensation is due on the third banking day following the ordinary general shareholders' meeting of Adtran Networks for the respective preceding fiscal year (but in any event within eight months following expiration of the fiscal year). With respect to the 2023 fiscal year, Adtran Networks' ordinary general shareholders' meeting occurred on June 28, 2024; therefore, the Annual Recurring Compensation was paid on July 3, 2024. With respect to the 2024 fiscal year, Adtran Networks' ordinary general shareholder meeting is scheduled for June 27, 2025, and therefore, the Annual Recurring Compensation will be due on July 2, 2025. During the twelve months ended December 31, 2024 and 2023, we accrued \$9.8 million and \$10.1 million, respectively, in Annual Recurring Compensation which is reflected as an increase to retained deficit.

On July 18, 2022, ADTRAN, Inc., as the borrower, and ADTRAN Holdings, Inc. entered into a credit agreement with a syndicate of banks, including Wells Fargo Bank, National Association, as administrative agent (“Administrative Agent”), and the other lenders named therein (the “Credit Agreement”), which has since been amended four times. The Company had access to \$180.8 million on its Credit Facility for future borrowings; however, as of December 31, 2024, the Company was limited to additional borrowings of \$56.1 million based on debt covenant compliance metrics. The financial covenants under the Credit Agreement, as amended, require the Company to maintain a Consolidated Total Net Leverage Ratio of 5.00x, a Consolidated Senior Secured Net Leverage Ratio of 3.25x (or 4.0x to 3.5x during a Springing Covenant Period), and a Consolidated Fixed Charge Coverage Ratio of 1.25x.

As of December 31, 2024, and as of the date of issuance of these financial statements, the Company does not have sufficient liquidity to meet the substantial majority of its payment obligations under the DPLTA pertaining to Exit Compensation. For the year ended December 31, 2024, approximately 831 thousand shares of Adtran Networks stock were tendered to the Company. This resulted in total Exit Compensation payments of approximately €15.7 million, or approximately \$17.4 million, based on exchange rates at the time of the transactions, being paid to Adtran Networks shareholders. For the year ended December 31, 2023, a total of 67 thousand shares of Adtran Networks stock was tendered to the Company and Exit Compensation payments of approximately €1.2 million or approximately \$1.3 million based on an exchange rate as of December 31, 2023, were paid to Adtran Networks shareholders. We believe the probability that more than a small minority of Adtran Networks shareholders elect to receive Exit Compensation in the next twelve months is remote based on the following factors: (i) the shareholders can exercise their right to receive the Exit Compensation until two months after publication of the final decision in the appraisal proceedings and we do not expect the publication of the final decision for at least another 12 months; (ii) the diverse base of shareholders that must make this election on an individual shareholder basis; (iii) the fact that the Company expects to receive a procedural decision during 2025 that will likely be appealed and, while the date of a decision by the court on the merits of the case is uncertain, it is unlikely that such decision will be rendered in 2025 and an expected appeal process will take a further 12-24 months to resolve; (iv) the current guaranteed Annual Recurring Compensation payment; and (v) the current trading value of Adtran Networks shares.

The Company experienced revenue declines in 2024. However, customers have started to replenish their inventories to meet increasing demand and we expect orders and billings to steadily increase in 2025. The Company is implementing plans to preserve cash liquidity to maintain compliance with the Company’s covenants in case of further we are impacted by customer inventory reduction initiatives and uncertain macroeconomic conditions. Additionally, the Company suspended dividend payments and effectuated a Business Efficiency Program. The Business Efficiency Program was substantially completed as of December 31, 2024, other than the Company’s aim of selling its headquarters. The Company has determined that it is probable that the sale of our headquarters in Huntsville will occur within the next twelve months after December 31, 2024. We expect to use the proceeds of the sale to repay indebtedness. We may need to further reduce capital expenditure and/or take other steps to preserve working capital in order to ensure that we can meet our needs and obligations and maintain compliance with our debt covenants.

In summary, the Company believes that its cash and cash equivalents, investments, working capital management initiatives and availability to access cash under the Wells Fargo Credit Facility (described below), will be adequate to meet our business operating requirements, our capital expenditures and our expected obligations under the DPLTA, including anticipated levels of Exit Compensation and ability to continue to comply with our debt covenants under the Credit Facility for at least the next twelve months, from the issuance of these Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K. *See Note 11 of Notes to Consolidated Financial Statements included in Part I, Item 8 of this report for additional information regarding the terms of the Wells Fargo Credit Agreement as amended.*

#### *Wells Fargo Credit Facility*

On July 18, 2022, ADTRAN, Inc., as the borrower (“US Borrower”), and the Company entered into a credit agreement with a syndicate of banks, including Wells Fargo Bank, National Association, as administrative agent (“Administrative Agent”), and the other lenders named therein (as amended from time to time, the “Credit Agreement”). Initially, the Credit Agreement allowed for revolving credit borrowings of up to \$400.0 million in aggregate principal amount (\$100.0 million of which is, subject to the restrictive covenants described below, available to Adtran Networks as borrower pursuant to the Subline (as defined and further described below), as well as the \$50.0 million delayed draw term loan facility described below. As of December 31, 2024, the aggregate principal amount was reduced to \$374.0 million (\$74.0 million of which is available to Adtran Networks as borrower pursuant to the Subline) due to a \$26.0 million reduction on the Subline. The term of the delayed draw term loan facility expired on August 9, 2024.

On August 9, 2023, (“First Amendment Effective Date”) the Company and ADTRAN, Inc. entered into a First Amendment to Credit Agreement (“First Amendment”).



The First Amendment, among other things, increased the available funding from \$100.0 million to \$400.0 million. In addition, a new \$50.0 million delayed draw term loan facility (“DDTL”) was introduced, which (subject to certain conditions) was available for borrowing in the event that at least sixty percent (60.0%) of the outstanding shares of Adtran Networks that were not owned by the Company and its subsidiaries as of the First Amendment Effective Date was tendered (such event, a “Springing Covenant Event”). The First Amendment provided that, upon the occurrence of a Springing Covenant Event, the Company will enter a “Springing Covenant Period”, defined as the fiscal quarter in which a Springing Covenant Event occurs and the three (3) consecutive fiscal quarters thereafter. During the Springing Covenant Period, the Company’s leverage ratios are increased. Although the ability to borrow under the DDTL expired on August 9, 2024, the Springing Covenant Event and Springing Covenant Period remain in effect.

The First Amendment further added additional financial flexibility by permitting, subject to certain requirements, the incurrence of convertible indebtedness by the Company in an aggregate principal amount of up to \$172.5 million. Any such convertible indebtedness must, among other things, be incurred in pro forma compliance with the financial covenants in the Credit Agreement, be unsecured, and otherwise rank junior to borrowings under the Credit Agreement, and have a stated maturity date of at least 91 days after the latest scheduled maturity date of loans and commitments under the Credit Agreement. Net cash proceeds from any incurrence of convertible indebtedness must be used to repurchase minority shares of Adtran Networks or repay revolver borrowings under the Credit Agreement.

On January 16, 2024 (“Second Amendment Effective Date”), the Company and ADTRAN, Inc. entered into a Second Amendment to Credit Agreement and First Amendment to Collateral Agreement (“Second Amendment”). The Second Amendment, among other things, introduced the Covenant Relief Period, which provided the Company with additional covenant headroom while imposing a minimum liquidity financial covenant from the end of the fourth quarter of 2023 to the end of the third quarter of 2024. The Covenant Relief Period ended on November 7, 2024.

On March 12, 2024, the Company and ADTRAN, Inc. entered into a Third Amendment to Credit Agreement (“Third Amendment”). The Third Amendment, among other things, amended the definition of “Consolidated Funded Indebtedness” (which is used in the calculation of the Consolidated Total Net Leverage Ratio and the Consolidated Senior Secured Net Leverage Ratio) to exclude obligations of the Company and its subsidiaries under certain factoring arrangements when calculated for the fiscal quarters ending March 31, 2024, and June 30, 2024.

On June 4, 2024, the Company, ADTRAN, Inc., and Adtran Networks entered into a Fourth Amendment to Credit Agreement (“Fourth Amendment”). The Fourth Amendment, among other things, created a new sublimit under the existing \$400.0 million revolving commitments, in an aggregate amount of \$100.0 million (“Subline”), which Subline is available for borrowings by Adtran Networks. Prepayments of outstanding loans under the Subline that result in the remaining outstanding loans under the Subline being less than the German Commitment Reduction Threshold will result in a permanent partial reduction of the commitments in respect of the Subline. The German Commitment Reduction Threshold is initially \$75.0 million and may be lowered from time to time pursuant to the terms of the Fourth Amendment. The existing swing line sublimit and letter of credit sublimit under the Credit Agreement remained available to the US Borrower (and not to Adtran Networks) after giving effect to the Fourth Amendment. Otherwise, the loans under the Subline are subject to substantially the same terms and conditions under the Credit Agreement (including with respect to the interest rate and maturity date) as the other existing revolving commitments.

As of December 31, 2024, Adtran’s borrowings under the revolving line of credit were \$189.6 million, of which approximately \$141.0 million were borrowed by ADTRAN, Inc. and \$48.6 million were borrowed under the Subline by Adtran Networks. The credit facilities provided under the Credit Agreement mature in July 2027, but the US Borrower may request extensions subject to customary conditions. In addition, the US Borrower may utilize up to \$50.0 million of the \$374.0 million total revolving facility for the issuance of letters of credit. As of December 31, 2024, we had a total of \$3.6 million in letters of credit under ADTRAN, Inc. outstanding under the Credit Agreement, leaving a net amount (after giving effect to the \$189.6 million of outstanding borrowings described above) of \$180.8 million available for future borrowings; however, as of December 31, 2024, the Company was limited to additional borrowings of \$56.1 million based on debt covenant compliance metrics. Any future credit extensions under the Credit Agreement are subject to customary conditions precedent. The proceeds of any loans are expected to be used for general corporate purposes and to pay a portion of the Exchange Offer consideration. As of December 31, 2024, the Company was in compliance with all covenants.

#### *Revolving Line of Credit Interest Rate*

All U.S. dollar borrowings under the revolving line of credit other than swingline loans, which bear interest at the Base Rate (as defined below plus the applicable margin), at the Company’s option, at a rate per annum equal to either (a) the Base Rate plus an applicable margin ranging from 0.65% to 1.65% per annum based on the Company’s Consolidated Total Net Leverage Ratio (or, during the Applicable Margin Increase Period (as defined below), an applicable margin of 2.15% per annum), or (b) Adjusted Term SOFR (as defined below) plus an applicable margin ranging from 1.65% to 2.65% per annum based on the Company’s Consolidated Total Net Leverage Ratio (or, during the Applicable Margin Increase Period, an applicable margin of 3.15% per annum).

“Base Rate” means the highest of (a) the federal funds rate (i.e., for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the business day next succeeding such day) plus ½ of 1.0%, (b) the prime commercial lending rate of the Administrative Agent, as established from time to time at its principal U.S. office (which such rate is an index or base rate and will not necessarily be its lowest or best rate charged to its customers or other banks), and (c) the daily Adjusted Term SOFR (as defined in the Credit Agreement) for a one-month tenor plus 1.0%. The Base Rate is subject to a floor of 1.00% per annum.

“Adjusted Term SOFR” means Term SOFR for the applicable interest period *plus* 0.10% per annum. Adjusted Term SOFR is subject to a floor of 0.00% per annum.

All euro borrowings under the revolving line of credit bear interest at a rate per annum equal to EURIBOR (as defined in the Credit Agreement and subject to a 0.00% per annum floor) plus an applicable margin ranging from 1.75% to 2.75% per annum based on the Company’s Consolidated Total Net Leverage Ratio (or, during the Covenant Relief Period, an applicable margin of 3.25% per annum).

In addition, (x) if on or prior to December 31, 2024 we have not reduced the aggregate revolving credit commitment to \$340.0 million or less, the applicable margin for all loans shall be increased by 1.00% per annum, and (y) if on or prior to June 30, 2025 we have not reduced the aggregate revolving credit commitment to \$300.0 million or less, the applicable margin for all loans shall be increased by 1.00% per annum.

In addition to paying interest on outstanding principal under the Credit Agreement, the Company is required to pay a quarterly commitment fee to the lenders under the Credit Agreement in respect of unutilized revolving loan commitments on the average daily unused portion of the revolving credit commitment of each lender, which commitment fee ranges from 0.20% to 0.25% per annum based on the Company’s Consolidated Total Net Leverage Ratio (or, during the Applicable Margin Increase Period, is equal to 0.25% per annum). The Company is also required to pay a participation fee to the Administrative Agent for the account of each lender with respect to the Company’s participation in letters of credit at the then applicable rate for Adjusted Term SOFR Loans or EURIBOR Loans, and other customary fronting, issuance and administration fees with respect to letters of credit.

The “Applicable Margin Interest Period” means the period commencing on the Second Amendment Effective Date and ending on the first date when each of the following conditions have been met: (a) the Covenant Relief Period has ended (b) since the Second Amendment Effective Date, the borrowers have repaid the revolving credit outstanding borrowings by a principal amount of at least \$75.0 million (c) the borrowers have reduced the aggregate revolving credit commitment to an amount no greater than \$300.0 million, and (d) the borrowers are in compliance with all financial covenants based on the financial statements for the most recently completed reference period.

Default interest is 2.0% per annum in excess of the rate otherwise applicable.

#### *Covenants Under the Credit Agreement*

The financial covenants under the Credit Agreement, as amended, include the following (capitalized terms used in this subsection and not otherwise defined herein have the meanings assigned to them in the Credit Agreement or its amendments, as applicable):

- As of the last day of any fiscal quarter, commencing with the fiscal quarter ended December 31, 2023, the Consolidated Total Net Leverage Ratio may not exceed 5.00x.
- As of the last day of any fiscal quarter, commencing with the fiscal quarter ended December 31, 2023, the Consolidated Senior Secured Net Leverage Ratio may not exceed:
  - In the fiscal quarter in which a Springing Covenant Event occurs and the three consecutive quarterly test periods thereafter, (“Springing Covenant Period”), the following covenant levels:
    - First fiscal quarter ending after a Springing Covenant Event: 4.00x
    - Second fiscal quarter ending after a Springing Covenant Event: 3.75x
    - Third and fourth fiscal quarters ending after a Springing Covenant Event: 3.50x
- If the Company or any of its subsidiaries incurs certain unsecured indebtedness in excess of \$50.0 million in connection with a transaction that is a Springing Covenant Event or during a Springing Covenant Period, the Consolidated Senior Secured Net Leverage Ratio covenant will step down to 3.50x at the time of such incurrence.
- If a Springing Covenant Period is not in effect, the Consolidated Senior Secured Net Leverage Ratio may not exceed 3.25x.
- As of the last day of any fiscal quarter, commencing with the fiscal quarter ended December 31, 2023, the Consolidated Fixed Charge Coverage Ratio may not exceed 1.25x.

- During a Springing Covenant Period, as of the last day of any fiscal quarter (i) cash and cash equivalents of the Credit Parties must be at least \$50.0 million and (ii) cash and cash equivalents of the Company and its subsidiaries must be at least \$70.0 million.

All obligations under the Credit Agreement (including under the Subline) are guaranteed by ADTRAN, Inc., and certain subsidiaries of ADTRAN, Inc. ("Full Facility Guarantors"). To secure such guarantees, ADTRAN, Inc. and the Full Facility Guarantors have granted security interests in favor of the Administrative Agent over substantially all of their tangible and intangible assets, and ADTRAN, Inc. has granted mortgages in favor of the Administrative Agent over certain owned real estate assets. Certain of Adtran Networks' subsidiaries ("Subline Guarantors") have provided a guarantee solely of the obligations in respect of the Subline. Furthermore, to secure such guarantees, the Subline Guarantors have granted security interests in favor of the Administrative Agent over substantially all of their tangible and intangible assets. Adtran Networks has also granted security interests in favor of the Administrative Agent over substantially all of its tangible and intangible assets, to secure solely its obligations under the Subline. Upon repayment in full and termination of the Subline, the guarantees by the Subline Guarantors and the liens granted by Adtran Networks and the Subline Guarantors to secure obligations under the Subline will be released.

The Credit Agreement, as amended, contains customary affirmative and negative covenants, including incurrence covenants and certain other limitations on the ability of the Company and the Company's subsidiaries to incur additional debt, guarantee other obligations, grant liens on assets, make investments, dispose of assets, make restricted payments, engage in mergers or consolidations, engage in transactions with affiliates, modify its organizational documents, and enter into certain restrictive agreements. The negative covenants are subject to various exceptions and carveouts. It also contains customary events of default, such as misrepresentation and a default in the performance or observance of any covenant (subject to customary cure periods and materiality thresholds). Upon the occurrence and during the continuance of an event of default, the Administrative Agent is entitled to take various actions, including the acceleration of all amounts due under the Credit Agreement.

#### *Operating Activities*

Net cash provided by operating activities of \$103.1 million during the year ended December 31, 2024 increased by \$148.7 million compared to \$45.6 million of net cash used in during the year ended December 31, 2023. The increase was primarily due to the declining net loss for the twelve months ended December 31, 2024 and 2023, excluding the goodwill impairment charge of \$292.6 million, as adjusted primarily for decreased depreciation and amortization, decreased deferred taxes and increased net cash inflows from working capital. Additional details related to our working capital and its drivers are discussed below.

Net accounts receivable decreased 17.8% from \$216.4 million as of December 31, 2023 to \$178.0 million as of December 31, 2024. There was an allowance for credit losses of \$1.3 million and \$0.4 million as of December 31, 2024 and December 31, 2023, respectively. The decrease in net accounts receivable was due primarily to a reduction in DSO. Quarterly accounts receivable DSO decreased from 88 days as of December 31, 2023 to 67 days as of December 31, 2024. The decrease in DSO was primarily driven by customer and geographical mix of commercial terms.

Other receivables decreased 44.0% from \$17.5 million as of December 31, 2023 to \$9.8 million as of December 31, 2024. The decrease in other receivables was primarily attributable to a decrease in sales of raw materials.

Annual inventory turnover decreased from 2.07 turns as of December 31, 2023 to 1.88 turns as of December 31, 2024. Inventory decreased 25.7% from \$362.3 million as of December 31, 2023 to \$269.3 million as of December 31, 2024. The decrease in inventory was primarily due to steps taken in with our Business Efficiency Program to improve working capital, a reduction in component purchases due to improved lead time, utilization of buffer stock and a \$4.1 million write down of inventory due to a restructuring discontinuation of certain product lines within our Network Solutions segment. We expect inventory levels to fluctuate as we attempt to maintain sufficient inventory for customer demand and improve working capital.

Accounts payable increased 4.6% from \$162.9 million as of December 31, 2023 to \$170.5 million as of December 31, 2024. The increase in accounts payable was primarily due to the timing of the receipt of inventory, supplies and services. Accounts payable will fluctuate due to variations in the timing of the receipt of inventory, supplies and services and our subsequent payments for these purchases.

#### *Investing Activities*

Capital expenditures, including intangibles totaled approximately \$63.1 million and \$43.1 million for the years ended December 31, 2024 and 2023, respectively. These expenditures were primarily used to purchase software, computer hardware, manufacturing and test equipment, building improvements and developed technologies. The increase in capital expenditures is primarily attributable to an increase in expenditures related to developed technology.

Our long-term investments increased 15.6% from \$27.7 million as of December 31, 2023 to \$32.1 million as of December 31, 2024. Our investments include various marketable equity securities classified as long-term investments with a fair market value of \$1.1 million and \$0.9 million, as of December 31, 2024 and 2023, respectively. Long-term investments as of December 31, 2024 and 2023 also included \$31.0 million and \$26.8 million, respectively, related to our deferred compensation plan. *See Note 4 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

## Financing Activities

### Dividends

During 2023 we paid stockholder dividends totaling \$21.2 million. On November 6, 2023, the Board of Directors suspended the Company's quarterly cash dividend in order to reduce debt and interest expense and support the Company's capital efficiency program. We consequently did not pay any dividends during the twelve months ended December 31, 2024. The payment of any future dividends will be at the discretion of the Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements, and any other factors deemed relevant by the Board of Directors; however, the Wells Fargo Credit Agreement currently does not allow for the payment of dividends to stockholders. *For addition information, see Note 18 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report and Liquidity & Capital Resources above.* The following table shows dividends per common share paid to our stockholders in each quarter of 2024 and 2023:

Dividends per Common Share		
	2024	2023
First Quarter	\$ -	\$ 0.09
Second Quarter	\$ -	\$ 0.09
Third Quarter	\$ -	\$ 0.09
Fourth Quarter	\$ -	\$ -

### Stock Repurchase Program

The Company did not repurchase any stock during the years ended December 31, 2024 and 2023, and there currently is no authorized stock repurchase plan.

### Stock Option Exercises

To accommodate employee stock option exercises, the Company issued 0.1 million and 23 thousand shares of common stock which resulted in proceeds of \$0.8 million and \$0.2 million during the years ended December 31, 2024 and 2023, respectively. Additionally, to accommodate Adtran Networks stock option exercises, Adtran Networks issued 0.1 million of Adtran Networks common stock which resulted in proceeds of \$0.4 million, during the year ended December 31, 2023. No Adtran Networks stock options were exercised during the year ended December 31, 2024.

### Employee Pension Plan

We maintain defined benefit pension plans covering employees in certain foreign countries. Pension benefit plan obligations are based on various assumptions used by our actuaries in calculating these amounts. These assumptions include discount rates, compensation rate increases, expected return on plan assets, retirement rates and mortality rates. Actual results that differ from the assumptions and changes in assumptions could affect future expenses and obligations. Details regarding the pension plans are set forth below.

- In Germany, there are two defined benefit pension plans and two defined contribution plans. These plans provide benefits in the event of retirement, death or disability. The plan's benefits are based on age, years of service and salary. The defined benefit plans are financed by contributions paid by the Company and the defined contribution plans are financed by contributions paid by the participants.
- In Switzerland, there are two defined benefit pension plans. Both plans provide benefits in the event of retirement, death or disability. The plan's benefits are based on age, years of service, salary and on a participant's old age account. The plans are financed by contributions paid by the participants and by the Company.
- In Italy, the post-employment benefit plan is required due to statutory provisions. The plan is financed directly by the Company on a pay-as-you-go basis. Employees receive their pension payments as a function of salary, inflation and a notional account.
- In Israel, there is a defined benefit plan that provides benefits in the event of a participant being dismissed involuntarily, retirement or death. The plan's benefits are based on the higher of the severance benefit required by law or the cash surrender value of the severance benefit component of any qualifying insurance policy or long-term employee benefit fund that is registered in the participant's name. The plan is financed by contributions paid by the Company.
- In India, the post-employment benefit plan is required due to statutory provisions. The plan is financed directly by the Company on a pay-as-you-go basis.

Our defined benefit plan assets consist of a balanced portfolio of equity funds, bond funds, emerging market funds, real estate funds and balanced funds. Our investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner

necessary to meet expected future benefits earned by participants and consider a broad range of economic conditions. The objectives of our investment policy are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans' actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies. The investment policy is periodically reviewed by us and a designated third-party fiduciary for investment matters. At December 31, 2024, the estimated fair market value of our defined benefit pension plans' assets decreased to \$54.5 million from \$55.2 million at December 31, 2023.

The defined benefit pension plan is accounted for on an actuarial basis, which requires the use of various assumptions, including an expected rate of return on plan assets and a discount rate. The expected return on our German plan assets that is utilized in determining the benefit obligation and net periodic benefit cost is derived from periodic studies, which include a review of asset allocation strategies, anticipated future long-term performance of individual asset classes, risks using standard deviations and correlations of returns among the asset classes that comprise the plans' asset mix. While the studies give appropriate consideration to recent plan performance and historical returns, the assumptions are primarily long-term, prospective rates of return. The discount rate has been derived from the returns of high-quality, corporate bonds denominated in euro currency with durations close to the duration of our pension obligations. The projected benefit obligation for our defined benefit pension plans was \$63.3 million and \$67.9 million as of December 31, 2024 and 2023, respectively.

The components of net periodic pension cost, other than the service cost component, are included in other income, net in the Consolidated Statements of Loss. The components of net periodic pension cost and amounts recognized in other comprehensive income (loss) for the years ended December 31, 2024 and 2023 were \$0.3 million and (\$3.9) million, respectively.

Actuarial gains and losses are recorded in accumulated other comprehensive loss. To the extent unamortized gains and losses exceed 10% of the higher of the market-related value of assets or the projected benefit obligation, the excess is amortized as a component of net periodic pension cost over the remaining service period of active participants. We estimate that less than \$0.1 million will be amortized from accumulated other comprehensive income into net periodic pension cost in 2025 for the net actuarial loss. The net actuarial loss recognized in accumulated other comprehensive loss as of December 31, 2024 and 2023 was \$1.0 million and \$2.5 million, respectively. *See Note 14 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

### Off-Balance Sheet Arrangements

We have exposure to credit losses from off-balance sheet exposures used to provide various guarantees of performance such as bid bonds, performance bonds and customs bonds, where we believe the risk of loss is immaterial to our financial statements as of December 31, 2024. Otherwise, we do not have off-balance sheet financing arrangements and have not engaged in any related party transactions or arrangements with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of or requirements for capital resources. *See Note 18 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report for additional information.*

### Cash Requirements

The following table summarizes the Company's material short- and long-term cash requirements from known obligations pursuant to certain contracts and commitments as of December 31, 2024, as well as an estimate of the timing in which such obligations and payments are expected to be satisfied (but excluding payments that may be made pursuant to the DPLTA and currency hedging arrangements, which are discussed below). Other than operating lease obligations, the cash requirements table excludes interest payments.

<i>(In thousands)</i>	<b>Total</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>Thereafter</b>
Wells Fargo credit agreement <sup>(1)</sup>	\$ 189,576	\$ —	\$ —	\$ 189,576	\$ —	\$ —	\$ —
Purchase obligations <sup>(2)</sup>	202,478	197,408	4,746	199	125	—	—
Operating lease obligations <sup>(3)</sup>	41,063	8,829	7,550	6,498	4,980	2,925	10,281
<b>Totals</b>	<b>\$ 433,117</b>	<b>\$ 206,237</b>	<b>\$ 12,296</b>	<b>\$ 196,273</b>	<b>\$ 5,105</b>	<b>\$ 2,925</b>	<b>\$ 10,281</b>

(1) See description below.

(2) We have purchase obligations related to open purchase orders to our contract manufacturers, ODMs, component suppliers, service partners and other vendors. The settlement of our purchase obligations will occur at various dates beginning in 2025 and going through 2028. See Note 18 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report for more information.

(3) We have operating leases for office space, automobiles and various other equipment in the U.S. and in certain international locations. Our operating leases had remaining lease terms ranging from 1 month to 167 months as of December 31, 2024.

### *Stock Repurchase Program*

There were no stock repurchases during the years ended December 31, 2024 and 2023, and there currently is no authorized stock repurchase plan.

### *Wells Fargo Credit Agreement*

On July 18, 2022, ADTRAN Holdings, Inc. and ADTRAN, Inc., as the borrower, entered into the Credit Agreement with the Administrative Agent and the other lenders named therein. The Credit Agreement was subsequently amended on August 9, 2023, January 16, 2024, March 12, 2024, and June 4, 2024. As of December 31, 2024, ADTRAN, Inc.'s borrowings under the revolving line of credit were \$189.6 million. The Credit Facility matures in July 2027; however, the Company has an option to request extensions subject to customary conditions. *See Note 11 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report and "Liquidity and Capital Resources" in Part I, Item 2 of this report for additional information.*

### *Nord/LB Revolving Line of Credit*

On March 29, 2023, Adtran Networks entered into a \$16.1 million unsecured revolving line of credit with Norddeutsche Landesbank - Girozentrale (Nord/LB) that bore interest of Euro Short Term Rate plus 1.94%. The line of credit had a perpetual term that could be terminated by the Company or Nord/LB at any time. As of December 31, 2023, Adtran Networks repaid the outstanding borrowings and terminated the Nord/LB Revolving Line of Credit.

### *Prior Nord/LB Revolving Line of Credit*

On August 8, 2022, Adtran Networks entered into a \$16.1 million revolving line of credit with Norddeutsche Landesbank - Girozentrale (Nord/LB) that bore interest of Euro Short Term Rate plus 1.4% and matured in August 2023. On January 31, 2023, the Company repaid the outstanding borrowings and terminated the Nord/LB revolving line of credit.

### *Syndicated Credit Agreement Working Capital Line of Credit*

In September 2018, Adtran Networks entered into a syndicated credit agreement with Bayerische Landesbank and Deutsche Bank AG Branch German Business to borrow up to \$10.7 million as part of a working capital line of credit. On January 31, 2023, the Company repaid the outstanding borrowings and terminated the syndicated credit agreement working capital line of credit.

### *DZ Bank Revolving Line of Credit*

In the fourth quarter of 2022, Adtran Networks entered into a revolving line of credit with DZ Bank to borrow up to \$9.1 million. Interest on the line of credit reset monthly based on renewal of the loan and was 2.8% at the time the loan was repaid. On March 12, 2023, the Company repaid the outstanding borrowings and terminated the DZ Bank revolving line of credit.

### *Syndicated Credit Agreement Note Payable*

In September 2018, Adtran Networks entered into a syndicated credit agreement with Bayerische Landesbank and Deutsche Bank AG Branch German Business to borrow \$63.7 million. On January 31, 2023, the Company repaid the outstanding borrowings and terminated the syndicated credit agreement note payable.

### *Currency Hedging Arrangements*

On November 3, 2022, the Company entered into a euro/U.S. dollar forward contract arrangement (the "Initial Forward") with Wells Fargo Bank, N.A. (the "Hedge Counterparty"). The Initial Forward, which was governed by the provisions of an ISDA Master Agreement (including schedules thereto and transaction confirmations that supplement such agreement) entered into between the Company and the Hedge Counterparty, enabling the Company to convert a portion of its euro denominated payment obligations under the proposed DPLTA into U.S. Dollars. Under the Initial Forward, the Company agreed to exchange an aggregate notional amount of €160.0 million for U.S. dollars at a daily fixed forward rate ranging from EUR/USD 0.98286 to 1.03290. The aggregate amount of €160.0 million was divided into eight quarterly tranches of €20.0 million, which commenced in the fourth quarter of 2022. During the twelve months ended December 31, 2024, the Company settled four €20.0 million forward contract tranches.

On March 21, 2023, the Company entered into a euro/U.S. dollar forward contract arrangement (the "Forward") with the Hedge Counterparty. Under the Forward, which was governed by the provisions of an ISDA Master Agreement (including schedules thereto and transaction confirmations that supplement such agreement) entered into between the Company and the Hedge Counterparty, the Company exchanged an aggregate notional amount of €160.0 million for U.S. dollars at an average rate of EUR/USD 1.085. During the twelve months ended December 31, 2024, the Company settled four \$20.0 million forward contract tranches. As of December 31, 2024, both the Initial Forward and Forward have fully matured and are no longer outstanding.

### *Receivables Purchase Arrangements*

On July 1, 2024, the Company entered into receivables purchase agreement (the “Factoring Agreement”) with a third-party financial institution (the “Factor”), which accelerates receivable collection and helps to better manage cash flow. Total accounts receivables factored as of the end of December 31, 2024, totaled \$18.3 million of which \$3.7 million was retained pursuant to the Factoring Agreement in the reserve account. The Factoring Agreement provides for up to \$40.0 million in factoring capacity, subject to eligible receivables and reserve requirements, secured by the receivables. The balance in the reserve account is included in other assets on the Consolidated Balance Sheets. The cost of the Factoring Agreement is included in interest expense in the Consolidated Statements of Loss and totaled \$0.6 million for the year ended December 31, 2024. Costs of a previous receivables purchase agreement, which are included in interest expense in the Consolidated Statements of Loss totaled \$0.9 million for the year ended December 31, 2023.

### *Domination and Profit and Loss Transfer Agreement*

The DPLTA between the Company, as the controlling company, and Adtran Networks SE, as the controlled company, as executed on December 1, 2022, became effective on January 16, 2023, as a result of its registration with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) at the registered seat of Adtran Networks (Jena).

Under the DPLTA, subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, (i) the Company is entitled to issue binding instructions to the management board of Adtran Networks, (ii) Adtran Networks will transfer its annual profit to the Company, subject to, among other things, the creation or dissolution of certain reserves, and (iii) the Company will generally absorb the annual net loss incurred by Adtran Networks. The Company’s payment obligation in satisfaction of the requirement that it absorb Adtran Networks’ annual net loss applied for the first time to the net loss generated in 2023.

Pursuant to the terms of the DPLTA, each Adtran Networks shareholder (other than the Company) has received an offer to elect either (1) to remain an Adtran Networks shareholder and receive from us an Annual Recurring Compensation payment, or (2) to receive Exit Compensation plus guaranteed interest. The guaranteed interest under the Exit Compensation is calculated from the effective date of the DPLTA to the date the shares are tendered, less any Annual Recurring Compensation paid. The guaranteed interest rate is 5.0% plus a variable component (according to the German Civil Code) that was 3.37% as of December 31, 2024. Assuming all the minority holders of currently outstanding Adtran Networks shares were to elect the second option, we would be obligated to make aggregate Exit Compensation payments, including guaranteed interest, of approximately €333.2 million or approximately \$344.9 million, based on an exchange rate as of December 31, 2024 and reflecting interest accrued through December 31, 2024 during the pendency of the appraisal proceedings discussed below. Shareholders electing the first option of Annual Recurring Compensation may later elect the second option. The opportunity for outside Adtran Networks shareholders to tender Adtran Networks shares in exchange for Exit Compensation had been scheduled to expire on March 16, 2023. However, due to the appraisal proceedings that have been initiated in accordance with applicable German law, this time period for tendering shares has been extended pursuant to the German Stock Corporation Act (*Aktiengesetz*) and will end two months after the date on which a final decision in such appraisal proceedings has been published in the Federal Gazette (*Bundesanzeiger*). The Company expects to receive a procedural decision during 2025 that will likely be appealed. The date of a decision by the court on the merits of the case is uncertain, but it is unlikely that such decision will be rendered in 2025. Thereafter an expected appeal process will take a further 12-24 months to resolve.

Additionally, our obligation to pay Annual Recurring Compensation under the DPLTA is a continuing payment obligation, which will amount to approximately €8.9 million or \$9.3 million (based on the current exchange rate) per year assuming none of the minority Adtran Networks shareholders were to elect Exit Compensation. The foregoing amounts do not reflect any potential increase in payment obligations that we may have depending on the outcome of ongoing appraisal proceedings in Germany. The Annual Recurring Compensation is due on the third banking day following the ordinary general shareholders’ meeting of Adtran Networks for the respective preceding fiscal year (but in any event within eight months following expiration of the fiscal year). With respect to the 2023 fiscal year, Adtran Networks’ ordinary general shareholders’ meeting occurred on June 28, 2024 and, therefore, the Annual Recurring Compensation was paid on July 3, 2024. With respect to the 2024 fiscal year, Adtran Networks’ ordinary general shareholder meeting is scheduled for June 27, 2025, and therefore, the Annual Recurring Compensation will be due on July 2, 2025. During the year ended December 31, 2024 and 2023, we accrued \$9.8 million and \$10.1 million, respectively, in Annual Recurring Compensation. The Annual Recurring Compensation is reflected as an increase to retained deficit in the Consolidated Balance Sheets.

On October 18, 2022, the Company's Board of Directors authorized the Company to purchase additional shares of Adtran Networks through open market purchases not to exceed 15,346,544 shares. For the year ended December 31, 2024, approximately 831 thousand shares of Adtran Networks stock were tendered to the Company. This resulted in total Exit Compensation payments of approximately €15.7 million, or approximately \$17.4 million, based on exchange rates at the time of the transactions, being paid to Adtran Networks shareholders. For the year ended December 31, 2023, a total of 67 thousand shares of Adtran Networks stock was tendered to the Company and Exit Compensation payments of approximately €1.2 million or approximately \$1.3 million based on an exchange rate as of December 31, 2023, were paid to Adtran Networks shareholders.

We currently hold 34,856,559 no-par value bearer shares of Adtran Networks, representing 67.0% of Adtran Networks outstanding shares as of February 27, 2025.



The foregoing description of the DPLTA does not purport to be complete and is qualified in its entirety by reference to the DPLTA, a non-binding English translation of which incorporated by reference to Exhibit 10.5 of this Annual Report on Form 10-K.

#### *Business Efficiency Program*

During the fourth quarter of 2023, the Company initiated a Business Efficiency Program designed to optimize the assets, business processes, and information technology systems of the Company in relation to the Business Combination with Adtran Networks. The Business Efficiency Program included expenses specifically associated with achieving run-rate synergies as well as Business Efficiency Program expenses described below. Other than the Company's stated air of selling its headquarters, the Business Efficiency Program was substantially complete as of December 31, 2024. *See Note 20 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report for additional information.*

During the years ended December 31, 2024 and 2023, we recognized \$44.7 million and \$25.1 million of costs relating to the Business Efficiency Program, respectively. Future cash payments include severance costs, outplacement fees and site consolidation that are anticipated to be approximately \$10.3 million.

#### *Business Combination Integration Costs*

During the years ended December 31, 2024 and 2023, we recognized \$1.9 million and \$4.9 million of integration costs related to the Business Combination, respectively, that are included in selling, general and administrative expenses, research & development expenses and cost of revenue in the Condensed Consolidated Statement of Loss.

#### *Other Cash Requirements*

During the year ended December 31, 2024, other than the Exit Compensation payments, Annual Recurring Compensation under the DPLTA, restructuring costs and increased debt service costs, there have been no other material changes in cash requirements from those discussed in the 2023 Form 10-K and our cash requirements table shown in Liquidity and Capital Resources above.

#### *Performance Bonds*

Certain contracts, customers and jurisdictions in which we do business require us to provide various guarantees of performance such as bid bonds, performance bonds and customs bonds. As of December 31, 2024 and 2023, we had commitments related to these bonds totaling \$15.7 million and \$10.8 million, respectively, which expire at various dates through April 2029. In general, we would only be liable for the amount of these guarantees in the event of default under each contract; the probability of which we believe is remote.

## Critical Accounting Policies and Estimates

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made if different estimates reasonably could have been used or if changes in the accounting estimate that are reasonably likely to occur could materially impact the results of financial operations. Several accounting policies, as described in Note 1 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report, require material subjective or complex judgment and have a significant impact on our financial condition and results of operations, as applicable. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Consolidated Financial Statements:

### *Revenue*

Revenue is measured based on the consideration expected to be received in exchange for transferring goods or providing services to a customer and as performance obligations under the terms of the contract are satisfied. Generally, this occurs with the transfer of control of a product to the customer. For transactions where there are multiple performance obligations, individual products and services are accounted for separately if they are distinct (if a product or service is separately identifiable from other items and if a customer can benefit from it on its own or with other resources that are readily available to the customer). The consideration, including any discounts, is allocated between separate products and services based on their stand-alone selling prices. Stand-alone selling prices are determined based on the prices at which the separate products and services are sold and are allocated based on each item's relative value to the total value of the products and services in the arrangement. For items that are not sold separately, we estimate stand-alone selling prices primarily using the "expected cost plus a margin" approach. Payment terms are generally 30 days in the U.S. and typically longer in many geographic markets outside the U.S. Shipping fees collected are recorded as revenue and the related cost is included in cost of revenue. Revenue, value-added and other taxes collected concurrently with revenue-producing activities are excluded from revenue. Incremental costs of obtaining a contract, that are recoverable, are capitalized and amortized over the period that the related revenue is recognized if greater than one year. We have elected to account for shipping fees paid as a cost of fulfilling the related contract. We have also elected to apply the practical expedient related to the incremental costs of obtaining contracts and recognize those costs as an expense when incurred if the amortization period of the assets is one year or less. These costs are included in selling, general and administrative expenses. Capitalized costs with an amortization period greater than one year were immaterial.

Revenue is generated by two reportable segments: Network Solutions and Services & Support.

**Network Solutions Segment** - Includes hardware products and software defined next-generation virtualized solutions used in Service Provider or business networks, as well as prior generation products. The majority of the revenue from this segment is from hardware revenue.

### *Hardware and Software Revenue*

Revenue from hardware sales is recognized when control is transferred to the customer, which is generally when the products are shipped. Shipping terms are generally FOB shipping point. Revenue from software license sales is recognized at delivery and transfer of control to the customer. Revenue is recorded net of estimated discounts and rebates using historical trends. Customers are typically invoiced when control is transferred and revenue is recognized. Our products generally include assurance-based warranties of 90 days to five years for product defects, which are accrued at the time products are delivered.

**Services & Support Segment** - Includes a complete portfolio of maintenance, network implementation and solutions integration and managed services, which include hosted cloud services and subscription services to complement our Network Solutions segment.

### *Maintenance Revenue*

Our maintenance service periods range from one month to five years. Customers are typically invoiced and pay for maintenance services at the beginning of the maintenance period. We recognize revenue for maintenance services on a straight-line basis over the maintenance period as our customers benefit evenly throughout the contract term and deferred revenue, when applicable, is recorded in unearned revenue and non-current unearned revenue. The total balance of our unearned revenue was \$74.8 million and \$71.8 million as of December 31, 2024 and 2023, respectively.

### *Network Implementation Revenue*

We recognize revenue for network implementation, which primarily consists of engineering, execution and enablement services at a point in time when each performance obligation is complete. If we have recognized revenue but have not billed the customer, the right to consideration is recognized as a contract asset that is included in other receivables on the Consolidated Balance Sheets. The contract asset is transferred to accounts receivable when the completed performance obligation is invoiced to the customer.

### *Receivables Purchase Agreement*

On July 1, 2024, the Company entered into a receivables purchase agreement (the "Factoring Agreement") with a third-party financial institution (the "Factor"), which accelerates receivable collection and helps to better manage cash flow. These transactions are accounted for in accordance with ASC Topic 860 and result in a reduction in accounts receivable because the Factoring Agreement transfers effective control over, and risk related to the receivables to the buyers. Trade accounts receivables balances sold are removed from the Consolidated Balance Sheets and cash received is reflected as cash flows provided by (used in) operating activities in the Consolidated Statements of Cash Flow. Factoring related interest expense is recorded to interest expense on the Consolidated Statements of Loss. On each sale date, the Factor retains from the sale price a default reserve, up to a required balance, which is held by the Factor in a reserve account and pledged to the Company. The Factor is entitled to withdraw from the reserve account the sale price of a defaulted receivable. The balance in the reserve account is included in other assets on the Consolidated Balance Sheets.

### *Previous Receivables Purchase Agreement*

On December 19, 2023, the Company entered into a factoring agreement with a third-party financial institution to sell, on a revolving basis, undivided interests in the Company's accounts receivable. The factoring agreement qualified for treatment as a secured borrowing with a pledge of collateral under Accounting Standards Codification ("ASC") Topic 810, *Consolidations*, as the Company was considered the primary beneficiary in a variable interest entity created to hold the factored receivables and the Company retained a residual claim on reserves related to the factored receivables. The receivables factored were carried in accounts receivable, less allowance for credit losses on the Consolidated Balance Sheets, the secured borrowings were carried on the Company's Consolidated Balance Sheets as a current liability, in accounts payable, proceeds and repayments of the secured borrowings are reflected as cash flows (used in) provided by financing activities in the Consolidated Statements of Cash Flows and program fees are recorded in interest expense in the Company's Consolidated Statements of Loss. The short-term liability classification of the secured borrowings was based on the estimated timing of the collection of the accounts receivable which were expected to be received within 12 months. The receivables purchase agreement was terminated on July 1, 2024 and there were no secured borrowings under this agreement as of December 31, 2024. *See Note 2 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

### *Inventory*

We carry our inventory at the lower of cost and net realizable value, with cost being determined using the first-in, first-out method. Standard costs for material, labor, and manufacturing overhead are used to value inventory and are updated at least quarterly. Most variances are expensed in the current period; therefore, our inventory costs approximate actual costs at the end of each reporting period. We establish reserves for estimated excess and obsolete inventory equal to the difference between the cost of the inventory and the estimated net realizable value of the inventory based on estimated reserve percentages, which consider historical usage, known trends, inventory age and market conditions. If actual trends and market conditions are less favorable than those projected by management, we may be required to make additional inventory write-downs.

### *Stock-Based Compensation*

For purposes of determining the estimated fair value of market-based PSU awards on the date of grant, the Monte Carlo Simulation valuation method is used. These PSUs are subject to a market condition based on the relative total stockholder return of Adtran against all of the companies in the NASDAQ Telecommunications Index and vest at the end of a three-year performance period. The fair value of performance-based PSUs, RSUs and restricted stock is equal to the closing price of our stock on the business day immediately preceding the grant date. Compensation expense related to unvested performance-based PSUs is recognized over the requisite service period of two to three years as the achievement of the performance obligation becomes probable. For purposes of determining the estimated fair value of our stock option awards on the date of grant, we use the Black-Scholes Model. This model requires the input of certain assumptions that require subjective judgment. These assumptions include, but are not limited to, expected stock price volatility over the term of the awards and actual and projected employee stock option exercise behaviors. Because our stock option awards have characteristics significantly different from those of traded options, and because changes in the input assumptions can materially affect the fair value estimate, the existing model may not provide a reliable, single measure of the fair value of our stock option awards. Management will continue to assess the assumptions and methodologies used to calculate the estimated fair value of stock-based compensation. Circumstances may change and additional data may become available over time, which could result in changes to these assumptions and methodologies and thereby materially impact our fair value determination. If factors change in future periods, the compensation expense that we record may differ significantly from what we have recorded in the current period. As of December 31, 2024, total unrecognized compensation expense related to the non-vested portion of market-based PSUs, RSUs and restricted stock was approximately \$10.7 million.

Pursuant to the Business Combination, which closed on July 15, 2022, Adtran Networks stock option holders were entitled to have their Adtran Networks stock options assumed by ADTRAN Holdings (applying the exchange ratio in the Business Combination Agreement), thereafter representing options to acquire stock of ADTRAN Holdings. The maximum number of shares of ADTRAN Holdings stock potentially issuable upon such assumption was 2.3 million shares. The period in which such options could be assumed ended July 22, 2022. A total of 2.1 million shares of ADTRAN Holdings stock were subject to assumed Adtran Networks options. The determination of the fair value of stock options assumed by ADTRAN Holdings was estimated using the Monte Carlo method and is affected by its stock price, as well as assumptions regarding a number of complex and subjective variables that may have a significant impact on the fair value estimate. The stock option pricing model requires the use of several assumptions that impact the fair value estimate. These variables include, but are not limited to, the volatility of the Company's stock price and employee exercise behaviors. As of December 31, 2024, total unrecognized compensation expense related to the non-vested portion of stock options was approximately \$3.2 million.

#### *Assets Held for Sale*

An asset is considered to be held for sale when all the following criteria are met: (i) management commits to a plan to sell the asset; (ii) the asset is available for immediate sale in its present condition; (iii) actions required to complete the sale of the asset have been initiated; (iv) sale of the asset is probable and the completed sale is expected to occur within one year; (v) it is unlikely that the disposal plan will be significantly modified; and (vi) the asset is actively being marketed for sale at a price that is reasonable given its current market value.

The Company records assets held for sale at the lower of their carrying value or fair value. The total carrying value of assets held for sale was \$11.9 million as of December 31, 2024 and is separately recorded on the balance sheet.

#### *Goodwill*

Goodwill represents the excess purchase price over the fair value of net assets acquired. The Company's annual impairment assessment is done at the reporting unit level, which we determined are generally the same as our operating segments, which are identified in Note 16 to the Consolidated Financial Statements. We review goodwill for impairment annually during the fourth quarter and also test for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of our reporting units below their carrying amount. Such events and circumstances may include among others: a significant adverse change in legal factors or in the general business climate; significant decline in our stock price and market capitalization; unanticipated competition; the testing for recoverability of a significant asset within the reporting unit; and an adverse action or assessment by a regulator. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on our consolidated financial statements.

During the first quarter of 2024, qualitative factors such as a decrease in the Company's market capitalization, lower service provider spending and delayed holding patterns of inventory with respect to customers caused us to reduce our forecasts, triggering a quantitative impairment assessment for our reporting units. The Company determined the fair value of each reporting unit using a combination of an income approach and a market approach. The significant inputs and assumptions used in the determination of the fair value of our reporting units based on future cash flows for the reporting units, requires significant judgment and the use of estimates and assumptions related to cash flow projections, discount rate, peer group determination and market multiple selection. The Company determined upon its quantitative impairment assessment to recognize a \$292.6 million non-cash goodwill impairment charge for the Network Solutions reporting unit. The quantitative impairment analysis indicated there was no impairment of the Services & Support goodwill during the first quarter of 2024.

The Company's annual impairment test date is October 1, 2024. Based on our analysis, management concluded that there was no impairment of goodwill as of that date. Between the annual impairment date of October 1, 2024 and year-end December 31, 2024, there were no additional triggering events.

During 2023, the Company experienced decreased market capitalization and long-term projections. Therefore, an interim impairment test over goodwill was performed as of September 30, 2023. The Company determined the fair value of each reporting unit using a combination of an income approach and a market approach. Management's determination of the fair value of our reporting units, based on future cash flows for the reporting units, requires significant judgment and the use of estimates and assumptions related to cash flow projections, discount rate, peer group determination and market multiple selection. It was determined that the decreases in projected future cash flows, discount rates, overall macroeconomic conditions, as well as the decrease in our market capitalization applied in the valuation, were required to align with market-based assumptions and company-specific risk, which resulted in lower fair values of the Services & Support reporting unit. As a result of the interim assessment, the Company recorded a goodwill impairment charge of \$37.9 million as its estimated fair value was less than its book value on that date. No other goodwill impairment charges were recorded during 2023.

No goodwill impairment charge was recorded in 2022 as a result of the Company's internal assessment.

The balance of our goodwill was \$52.9 million and \$353.4 million as of December 31, 2024 and 2023, respectively.

### *Intangible Assets*

Purchased intangible assets with finite lives are carried at cost less accumulated amortization. Amortization is recorded over the estimated useful lives of the respective assets.

The balance of our intangible assets was \$306.1 million and \$337.4 million as of December 31, 2024 and 2023, respectively.

### *Impairment of Long-Lived Assets and Intangibles*

Long-lived assets, such as property, plant and equipment, right of use lease assets and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset or asset group.

During the first quarter of 2024, factors triggered a quantitative impairment assessment for the Network Solutions asset group. The long-lived assets associated with the Network Solutions asset group was \$358.6 million as of December 31, 2024

There were no impairment losses for long-lived assets and intangible assets during the years ended December 31, 2024, 2023 and 2022.

### *Income Taxes*

We estimate our income tax provision or benefit in each of the jurisdictions in which we operate, including estimating exposures related to examinations by taxing authorities. We also make judgments regarding the realization of deferred tax assets and establish valuation allowances where we believe it is more likely than not that future taxable income in certain jurisdictions will be insufficient to realize these deferred tax assets. Our estimates regarding future taxable income and income tax provision or benefit may vary due to changes in market conditions, changes in tax laws, or other factors. If our assumptions, and consequently our estimates, change in the future, the valuation allowances we have established may be increased or decreased, impacting future income tax expense. We continually review the adequacy of our valuation allowance and recognize the benefits of deferred tax assets only as the reassessment indicates that it is more likely than not that the deferred tax assets will be realized in accordance with ASC 740, Income Taxes. During the fourth quarter of 2023, after considering all quantitative and qualitative evidence, including our cumulative loss position, we have determined that the negative evidence outweighs the positive evidence and have concluded that it is not more likely than not that our U.S. federal and certain other state deferred tax assets were realizable for one of the consolidated filing groups. As a result, we recorded a valuation allowance against those assets and continue to maintain the valuation allowance through 2024. Additional valuation allowance was recorded against certain deferred tax assets on our foreign entities as not more likely than not realizable. However, the amount of deferred tax assets considered realizable could be adjusted and valuation allowance released in future periods in the event that sufficient positive evidence is present to support a conclusion that it is more likely than not that all or a portion of our domestic and foreign deferred tax assets will be realized.

In determining whether an uncertain tax position exists, the Company determines, based solely on its technical merits, whether the tax position is more likely than not to be sustained upon examination, and if so, a tax benefit is measured on a cumulative probability basis that is more likely than not to be realized upon the ultimate settlement. The Company recognizes interest and penalties related to unrecognized tax benefits through interest expense and income tax expense, respectively.

### *Pension Benefit Plan Obligations*

Pension benefit plan obligations are based on various assumptions used by our actuaries in calculating these amounts. These assumptions include discount rates, compensation rate increases, expected return on plan assets, retirement rates and mortality rates. Actual results that differ from the assumptions and changes in assumptions could affect future expenses and obligations. Our net pension liability totaled \$8.8 million and \$12.7 million at December 31, 2024 and December 31, 2023, respectively. This liability is included in non-current pension liability, accrued wages and benefits and other non-current assets in the accompanying Consolidated Balance Sheets.

### *Lease Obligations*

We have operating leases for office space, automobiles and various other equipment in the U.S. and in certain international locations. Other contracts, such as manufacturing agreements and service agreements, are reviewed to determine if they contain potential embedded leases. These other contracts are specifically reviewed to determine whether we have the right to substantially all of the economic benefit from the use of any specified assets or the right to direct the use of any specified assets, either of which would indicate the existence of a lease. Some of our leases include options to renew. For those leases that are reasonably assured to be renewed, we have included the option to extend as part of our right of use asset and lease liability. The exercise of lease renewal options is at our sole discretion. The depreciable life of leased assets and leasehold improvements are limited by the expected lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet and lease expense for these leases is recognized on a straight-line basis over the

lease term. For lease agreements entered into or reassessed after the adoption of Topic 842, we elected to not separate lease and non-lease components. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

#### *Business Combinations*

The Company records assets acquired, liabilities assumed, contractual contingencies, when applicable, and intangible assets recognized as part of business combinations based on their fair values on the date of acquisition subject to purchase accounting adjustments. The excess of the purchase price over the estimated fair values of the net tangible and intangible assets and liabilities assumed or acquired is recorded as goodwill. If the estimated fair values of net tangible and intangible assets acquired and liabilities assumed exceed the purchase price, a bargain purchase gain is recorded. The Company's estimates of fair value are based on historical experience, industry knowledge, certain information obtained from the management of the acquired company and, in some cases, valuations performed by independent third-party firms. The results of operations of acquired companies are included in the accompanying Consolidated Statements of Loss since their dates of acquisition. Costs incurred to complete the Business Combination, such as legal, accounting or other professional fees, are charged to selling, general and administrative expenses as incurred.

#### *Recently Issued Accounting Pronouncements*

For a discussion of recently issued accounting pronouncements, see *Note 1 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to financial market risks, including changes in foreign currency rates, prices of marketable equity and fixed-income securities. In addition, the ongoing global pandemic raises the possibility of an extended economic downturn and has caused volatility in financial markets. The primary objective of the large majority of our investment activities is to preserve principal while at the same time achieve appropriate yields without significantly increasing risk. To achieve this objective, a majority of our marketable securities are investment grade, fixed-rate bonds and municipal money market instruments denominated in U.S. dollars. Our investment policy provides limitations for issuer concentration, by restricting, at the time of purchase, the concentration in any one issuer to 5% of the market value of our total investment portfolio.

We maintain depository investments with certain financial institutions. As of December 31, 2024, \$74.0 million of our cash and cash equivalents, primarily foreign depository accounts, were in excess of government provided insured depository limits. Although these depository investments exceed government insured depository limits, we have evaluated the credit worthiness of these financial institutions and determined the risk of material financial loss due to exposure of such credit risk to be minimal.

### **Interest Rate Risk**

As of December 31, 2024, approximately \$5.9 million of our cash and investments may be directly affected by changes in interest rates. As of December 31, 2024, we held \$5.9 million of cash and variable-rate investments where a change in interest rates would impact our interest income. A hypothetical 50 basis point decline in interest rates as of December 31, 2024, assuming all other variables remain constant, would reduce annualized interest income on our cash and investments by less than \$0.1 million. As of December 31, 2024, the carrying amounts of our revolving credit agreements totaled \$189.6 million where a change in interest rates would impact our interest expense. A hypothetical 50 basis point increase in interest rates as of December 31, 2024, assuming all other variables remain constant, would increase our interest expense by \$1.0 million. The analyses cover our debt and investments. The analyses use actual or approximate maturities for the debt and investments. The discount rates used were based on the market interest rates in effect at December 31, 2024. As of December 31, 2024 we have not entered into any derivative instruments to hedge the impact of the changes in variable interest rates under our revolving credit agreements.

### **Foreign Currency Exchange Rate Risk**

We are exposed to changes in foreign currency exchange rates to the extent that such changes affect our revenue and gross margin on revenue derived from some international customers, operating expenses, and assets and liabilities held in non-functional currencies related to our foreign subsidiaries. Our primary exposures to foreign currency exchange rate movements are with the euro and the British pound. Our revenue is primarily denominated in the respective functional currency of the subsidiary and paid in that subsidiary's functional currency or certain other local currency. The majority of our global supply chain predominately makes payments in U.S. dollars and some of our operating expenses are paid in certain local currencies (approximately 45.2% of total operating expense for the year ended December 31, 2024, respectively). Therefore, our revenue, gross margins, operating expenses and operating loss are all subject to foreign currency fluctuations. As a result, changes in currency exchange rates could cause variations in our operating loss. A hypothetical 10% movement in foreign exchange rates would result in a before-tax positive or negative impact of approximately \$7.1 million for the year ended December 31, 2024. Actual future gains and losses associated with our foreign currency exposures and positions may differ materially from the sensitivity analyses performed as of December 31, 2024 due to the inherent limitations associated with predicting the foreign currency exchange rates, and our actual exposures and positions.

We have certain customers and suppliers who are invoiced or pay in a non-functional currency. Changes in the monetary exchange rates used to invoice such customers versus the functional currency of the entity billing such customers may adversely affect our results of operations and financial condition. To manage the volatility relating to these typical business exposures, we may enter into various derivative transactions, when appropriate. We do not hold or issue derivative instruments for trading or other speculative purposes. All non-functional currencies billed would result in a combined hypothetical gain or loss of \$7.4 million if the U.S. dollar weakened or strengthened 10% against the billing currencies. All non-functional currencies invoiced by suppliers would result in a combined hypothetical gain or loss of \$7.1 million if the U.S. dollar weakened or strengthened 10% against the billing currencies. This change represents an increase in the amount of hypothetical gain or loss compared to prior periods and is mainly due to an increase in U.S. dollar denominated billings in a non-U.S. dollar denominated subsidiary.

As of December 31, 2024, we had certain material contracts subject to currency revaluation, including accounts receivable, accounts payable and lease liabilities denominated in foreign currencies. As of December 31, 2024, we had 39 forward contracts outstanding with a fair value of \$0.6 million. The objective of these foreign currency forward contracts is to reduce the impact of currency exchange rate movements on our operating results by offsetting gains and losses on the forward contracts with increases or decreases in foreign currency transactions. We do not use foreign currency contracts for speculative or trading purposes. Hedging of our currency exposures may not always be effective to protect us against currency exchange rate fluctuations. *See Note 10 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.*

On November 3, 2022, the Company entered into a euro/U.S. dollar forward contract arrangement (the "Initial Forward") with Wells Fargo Bank, N.A. (the "Hedge Counterparty"). The Initial Forward, which was governed by the provisions of an ISDA Master Agreement (including schedules thereto and transaction confirmations that supplement such agreement) entered into between the Company and the Hedge Counterparty, enabling the Company to convert a portion of its euro denominated payment obligations under the proposed DPLTA into U.S. Dollars. Under the Initial Forward, the Company agreed to exchange an aggregate notional amount of €160.0 million for U.S. dollars at a daily fixed forward rate ranging from EUR/USD 0.98286 to 1.03290. The aggregate amount of €160.0 million was divided into eight quarterly tranches of €20.0 million, which commenced in the fourth quarter of 2022. During the twelve months ended December 31, 2024, the Company settled four €20.0 million forward contract tranches.

On March 21, 2023, the Company entered into a euro/U.S. dollar forward contract arrangement (the "Forward") with the Hedge Counterparty. Under the Forward, which was governed by the provisions of an ISDA Master Agreement (including schedules thereto and transaction confirmations that supplement such agreement) entered into between the Company and the Hedge Counterparty, the Company exchanged an aggregate notional amount of €160.0 million for U.S. dollars at an average rate of EUR/USD 1.085. During the twelve months ended December 31, 2024, the Company settled four \$20.0 million forward contract tranches. As of December 31, 2024, both the Initial Forward and Forward have fully matured and are no longer outstanding.

For further information about the fair value of our investments as of December 31, 2024, *see Note 10 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.*



ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements are contained in this report.

	<u>Page</u>
Report of Independent Registered Public Accounting Firm .....	
Financial Statements .....	76
Consolidated Balance Sheets, As of December 31, 2024 and 2023 .....	76
Consolidated Statements of Loss, Years Ended December 31, 2024, 2023 and 2022 .....	77
Consolidated Statements of Comprehensive (Loss) Income, Years Ended December 31, 2024, 2023 and 2022 .....	78
Consolidated Statements of Changes in Equity, Years Ended December 31, 2024, 2023 and 2022 .....	79
Consolidated Statements of Cash Flows, Years Ended December 31, 2024, 2023 and 2022 .....	80
Schedule II - Valuation and Qualifying Accounts, Years Ended December 31, 2024, 2023 and 2022 .....	133
PricewaterhouseCoopers LLP; PCAOB Firm ID: 238; Birmingham, Alabama	

## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of ADTRAN Holdings, Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of ADTRAN Holdings, Inc. and its subsidiaries (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of loss, of comprehensive (loss) income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2024, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO because material weaknesses in internal control over financial reporting existed as of that date related to the Company not (i) designing and maintaining effective controls in response to the risks of material misstatement; (ii) designing and maintaining effective controls over financial statement preparation, presentation and disclosure commensurate with its financial reporting requirements; and (iii) designing and maintaining effective controls to address the initial application of complex accounting standards and accounting of non-routine, unusual or complex events and transactions.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses referred to above are described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. We considered these material weaknesses in determining the nature, timing, and extent of audit tests applied in our audit of the 2024 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in

accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### ***Valuation of Inventory – Estimate of Certain Excess and Obsolete Reserves***

As described in Notes 1 and 5 to the consolidated financial statements, the Company's consolidated net inventory as of December 31, 2024 was \$269.3 million, of which certain inventory is subject to certain excess and obsolete reserves. Management establishes reserves for estimated excess and obsolete inventory equal to the difference between the cost of the inventory and the estimated net realizable value of the inventory based on estimated reserve percentages, which consider historical usage, known trends, inventory age, and market conditions.

The principal considerations for our determination that performing procedures relating to the valuation of inventory – estimate of certain excess and obsolete reserves is a critical audit matter are (i) the significant judgment by management when developing the estimate of certain excess and obsolete inventory reserves and (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumption related to the estimated reserve percentages.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to certain excess and obsolete inventory reserves, including controls over the significant assumption related to estimated reserve percentages. These procedures also included, among others (i) testing management's process for developing the estimate of certain excess and obsolete inventory reserves; (ii) evaluating the appropriateness of management's estimation methodology; (iii) testing the completeness and accuracy of the underlying data used in developing the estimate of certain excess and obsolete inventory reserves, including historical usage, known trends, and inventory age; and (iv) evaluating the reasonableness of the significant assumption used by management related to the estimated reserve percentages. Evaluating management's assumption related to the estimated reserve percentages involved considering (i) the current and past results of the Company; (ii) a comparison of the prior year estimate to actual activity in the current year; and (iii) whether the assumption was consistent with evidence obtained in other areas of the audit.

#### ***Accounts Receivable Factoring***

As described in Notes 1 and 2 to the consolidated financial statements, on July 1, 2024, the Company entered into a receivables purchase agreement (the "Factoring Agreement") with a third-party financial institution (the "Factor"), which accelerates receivable collection. Total accounts receivables factored as of December 31, 2024 totaled \$18.3 million, of which \$3.7 million was retained pursuant to the Factoring Agreement in the reserve account. These transactions result in a reduction in accounts receivable because the Factoring Agreement transfers effective control and risk related to the receivables to the buyers. On each sale date, the Factor retains from the sale price a default reserve, up to a required balance, which is held by the Factor in a reserve account and pledged to the Company. The Factor is entitled to withdraw from the reserve account the sale price of a defaulted receivable.

The principal considerations for our determination that performing procedures relating to the accounts receivable factoring is a critical audit matter are a high degree of auditor effort in performing procedures and evaluating audit evidence related to evaluating the Factoring Agreement. As described in the "Opinions on the Financial Statements and Internal Control over Financial Reporting" section, a material weakness was identified related to this matter.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others (i) reading the Factoring Agreement; (ii) evaluating management's assessment that the transactions under the Factoring Agreement were appropriately accounted for; (iii) confirming the accounts receivables factored as of December 31, 2024 with the Factor; (iv) testing the classification of accounts receivable factored, including whether balances have been properly excluded from the accounts receivable balance as of December 31, 2024; and (v) evaluating the sufficiency of the disclosures in the consolidated financial statements.

### *Interim Goodwill and Asset Group Impairment Assessments – Network Solutions Reporting Unit and Asset Group*

As described in Notes 1, 8, and 9 to the consolidated financial statements, the Company's goodwill balance was \$52.9 million as of December 31, 2024, and the goodwill associated with the Network Solutions reporting unit was \$0 million. The Company's long-lived assets, such as property, plant and equipment, right of use lease assets, and purchased intangibles subject to amortization were \$418.2 million as of December 31, 2024, and the long-lived assets associated with the Network Solutions asset group were \$358.6 million. Goodwill is tested by management for impairment annually during the fourth quarter and reviewed for impairment if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting units below their carrying amount. Long lived assets are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During the first quarter of 2024, management identified factors triggering a quantitative impairment assessment for the Company's reporting units and Network Solutions asset group, resulting in a \$292.6 million goodwill impairment charge for the Network Solutions reporting unit. Management determined the fair value of the Network Solutions reporting unit using a combination of an income approach and a market approach. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset group. The significant inputs and assumptions used in the determination of the fair value of the reporting unit requires significant judgment and the use of estimates and assumptions related to revenue growth rates, earnings before interest, taxes, depreciation and amortization ("EBITDA") margins, discount rate, peer group determination, and revenue and EBITDA market multiples. The significant inputs and assumptions used in the determination of the cash flows expected to be generated by the asset group requires significant judgment and the use of estimates and assumptions related to revenue growth rates, EBITDA margins, peer group determination, and disposition exit multiple.

The principal considerations for our determination that performing procedures relating to the interim goodwill and asset group impairment assessments of the Network Solution reporting unit and asset group is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the Network Solutions reporting unit and when developing the cash flows expected to be generated by the Network Solutions asset group; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to (a) revenue growth rates and EBITDA margins for the Network Solutions reporting unit and asset group, (b) revenue and EBITDA market multiples for the Network Solutions reporting unit, and (c) disposition exit multiple for the Network Solutions asset group (collectively, the "aforementioned assumptions"); and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill and asset group impairment assessments, including controls over the valuation of the Network Solutions reporting unit and asset group. These procedures also included, among others (i) testing management's process for developing the fair value estimate of the Network Solutions reporting unit and for developing the cash flows expected to be generated by the Network Solutions asset group; (ii) evaluating the appropriateness of the income approach, market approach, and undiscounted future cash flows approach used by management; (iii) testing the completeness and accuracy of underlying data used by management in the income approach, market approach, and undiscounted future cash flows approach; and (iv) evaluating the reasonableness of the significant assumptions used by management related to the aforementioned assumptions. Evaluating management's assumptions related to revenue growth rates and EBITDA margins for the Network Solutions reporting unit and asset group involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the Network Solutions reporting unit and asset group; (ii) the consistency with external market and industry data; and (iii) whether the assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the income approach, market approach, and undiscounted future cash flows approach and (ii) the reasonableness of the revenue and EBITDA market multiples assumptions for the Network Solutions reporting unit and disposition exit multiple assumption for the Network Solutions asset group.

/s/ PricewaterhouseCoopers LLP  
Birmingham, Alabama  
March 3, 2025

We have served as the Company's auditor since 1986.

**Financial Statements**  
**ADTRAN Holdings, Inc.**  
**Consolidated Balance Sheets**  
(In thousands, except per share amount)  
December 31, 2024 and 2023

<b>ASSETS</b>	<b>2024</b>	<b>2023</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 77,567	\$ 87,167
Accounts receivable, less allowance for credit losses of \$1,300 and \$400 as of December 31, 2024 and 2023, respectively	178,030	216,445
Other receivables	9,775	17,450
Income tax receivable	5,461	7,933
Inventory, net	269,337	362,295
Assets held for sale	11,901	—
Prepaid expenses and other current assets	58,534	45,566
<b>Total Current Assets</b>	<b>610,605</b>	<b>736,856</b>
Property, plant and equipment, net	102,942	113,582
Deferred tax assets, net	17,826	25,787
Goodwill	52,918	353,415
Intangibles, net	284,893	337,423
Other non-current assets	78,128	87,706
Long-term investments	32,060	27,743
<b>Total Assets</b>	<b>\$ 1,179,372</b>	<b>\$ 1,682,512</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 170,451	\$ 162,922
Unearned revenue	52,701	46,731
Accrued expenses and other liabilities	35,704	36,204
Accrued wages and benefits	32,853	27,030
Income tax payable	1,936	5,221
<b>Total Current Liabilities</b>	<b>293,645</b>	<b>278,108</b>
Non-current revolving credit agreement outstanding	189,576	195,000
Deferred tax liabilities	30,690	35,655
Non-current unearned revenue	22,065	25,109
Non-current pension liability	8,983	12,543
Deferred compensation liability	33,203	29,039
Non-current lease obligations	25,925	31,420
Other non-current liabilities	17,928	28,657
<b>Total Liabilities</b>	<b>622,015</b>	<b>635,531</b>
Commitments and contingencies (see Note 18)		
<b>Redeemable Non-Controlling Interest</b>	422,943	442,152
<b>Equity</b>		
Common stock, par value \$0.01 per share; 200,000 shares authorized; 79,483 shares issued and 79,218 outstanding as of December 31, 2024 and 78,970 shares issued and 78,674 shares outstanding as of December 31, 2023	795	790
Additional paid-in capital	808,913	795,304
Accumulated other comprehensive income	10,897	47,465
Retained deficit	(680,993)	(232,905)
Less treasury stock at cost: 266 and 297 shares as of December 31, 2024 and 2023, respectively	(5,198)	(5,825)
<b>Total Equity</b>	<b>134,414</b>	<b>604,829</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,179,372</b>	<b>\$ 1,682,512</b>

*See accompanying notes to consolidated financial statements.*

**ADTRAN Holdings, Inc.**  
**Consolidated Statements of Loss**  
(In thousands, except per share amounts)  
Years ended December 31, 2024, 2023 and 2022

	2024	2023	2022
<b>Revenue</b>			
Network Solutions	\$ 738,964	\$ 974,389	\$ 916,793
Services & Support	183,756	174,711	108,743
<b>Total Revenue</b>	<b>922,720</b>	<b>1,149,100</b>	<b>1,025,536</b>
<b>Cost of Revenue</b>			
Network Solutions	511,070	722,582	647,105
Network Solutions - charges and inventory write-down	8,597	24,313	—
Services & Support	72,739	69,142	51,179
<b>Total Cost of Revenue</b>	<b>592,406</b>	<b>816,037</b>	<b>698,284</b>
<b>Gross Profit</b>	<b>330,314</b>	<b>333,063</b>	<b>327,252</b>
Selling, general and administrative expenses	233,369	258,149	208,889
Research and development expenses	221,463	258,311	173,757
Asset impairment	—	—	17,433
Goodwill impairment	292,583	37,874	—
<b>Operating Loss</b>	<b>(417,101)</b>	<b>(221,271)</b>	<b>(72,827)</b>
Interest and dividend income	3,058	2,340	2,123
Interest expense	(22,053)	(16,299)	(3,437)
Net investment gain (loss)	3,587	2,754	(11,339)
Other income, net	246	1,266	14,517
<b>Loss Before Income Taxes</b>	<b>(432,263)</b>	<b>(231,210)</b>	<b>(70,963)</b>
Income tax (expense) benefit	(8,785)	(28,133)	62,075
<b>Net Loss</b>	<b>\$ (441,048)</b>	<b>\$ (259,343)</b>	<b>\$ (8,888)</b>
<b>Net Income (Loss) attributable to non-controlling interest <sup>(1)</sup></b>	<b>9,824</b>	<b>6,946</b>	<b>(6,851)</b>
<b>Net Loss attributable to ADTRAN Holdings, Inc.</b>	<b>\$ (450,872)</b>	<b>\$ (266,289)</b>	<b>\$ (2,037)</b>
Weighted average shares outstanding – basic	78,928	78,416	62,346
Weighted average shares outstanding – diluted	78,928	78,416	62,346
Loss per common share attributable to ADTRAN Holdings, Inc. – basic	\$ (5.67) <sup>(2)</sup>	\$ (3.39)	\$ (0.03)
Loss per common share attributable to ADTRAN Holdings, Inc. – diluted	\$ (5.67) <sup>(2)</sup>	\$ (3.39)	\$ (0.03)

(1) For the year ended December 31, 2024 we accrued \$9.8 million of net income attributable to non-controlling interest, representing the recurring cash compensation earned by non-controlling interest shareholders post-DPLTA. For the year ended December 31, 2023, we accrued \$10.1 million, representing the recurring cash compensation earned by non-controlling interest shareholders post-DPLTA, partially offset by a \$3.2 million net loss attributable to non-controlling interests pre-DPLTA.12-24

(2) Loss per common share attributable to ADTRAN Holdings, Inc. - basic and diluted - reflects a \$3.0 million effect of redemption of RNCI for the year ended December 31, 2024. See Note 19 for additional information.

*See accompanying notes to consolidated financial statements.*

*ADTRAN Holdings, Inc.*  
*Consolidated Statements of Comprehensive (Loss) Income*  
*(In thousands)*  
*Years ended December 31, 2024, 2023 and 2022*

	2024	2023	2022
Net Loss	\$ (441,048)	\$ (259,343)	\$ (8,888)
<b>Other Comprehensive (Loss) Income, net of tax</b>			
Net unrealized gain (loss) on available-for-sale securities	—	454	(284)
Defined benefit plan adjustments	1,479	(1,490)	4,597
Foreign currency translation (loss) gain	(38,047)	22,757	53,396
<b>Other Comprehensive (Loss) Income, net of tax</b>	<b>(36,568)</b>	<b>21,721</b>	<b>57,709</b>
<b>Comprehensive (Loss) Income, net of tax</b>	<b>(477,616)</b>	<b>(237,622)</b>	<b>48,821</b>
<b>Less: Comprehensive Income attributable to non-controlling interest</b>	<b>9,824</b>	<b>7,328</b>	<b>12,818</b>
<b>Comprehensive (Loss) Income attributable to ADTRAN Holdings, Inc., net of tax</b>	<b>\$ (487,440)</b>	<b>\$ (244,950)</b>	<b>\$ 36,003</b>

*See accompanying notes to consolidated financial statements.*

**ADTRAN Holdings, Inc.**  
**Consolidated Statements of Changes in Equity**  
(In thousands, except per share amounts)  
Years ended December 31, 2024, 2023 and 2022

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non- controlling interest	Total Equity
<b>Balance as of December 31, 2021</b>	<b>79,652</b>	<b>\$ 797</b>	<b>\$ 288,946</b>	<b>\$ 740,820</b>	<b>\$ (661,547)</b>	<b>\$ (11,914)</b>	<b>\$ —</b>	<b>\$ 357,102</b>
Net loss	—	—	—	(2,037)	—	—	(6,851)	(8,888)
Acquisition of Adtran Networks	27,995	280	577,980	—	—	—	316,415	894,675
Retirement of treasury stock	(30,330)	(303)	—	(655,761)	656,064	—	—	—
Other comprehensive income, net of tax	—	—	—	—	—	38,040	19,669	57,709
Dividend payments (\$0.09 per share)	—	—	—	(22,885)	—	—	—	(22,885)
Dividends accrued on unvested restricted stock units	—	—	—	353	—	—	—	353
Deferred compensation adjustments, net of tax	—	—	—	—	(71)	—	—	(71)
ADTRAN RSUs and restricted stock vested	372	4	—	(10,482)	631	—	—	(9,847)
ADTRAN stock options exercised	399	3	—	5,330	798	—	—	6,131
Reclassification of Adtran Networks stock options	—	—	187	—	—	—	99	286
Adtran Networks stock options exercised	—	—	472	—	—	—	254	726
ADTRAN stock-based compensation expense	—	—	26,141	—	—	—	—	26,141
Adtran Networks stock-based compensation expense	—	—	2,108	—	—	—	73	2,181
<b>Balance as of December 31, 2022</b>	<b>78,088</b>	<b>781</b>	<b>895,834</b>	<b>55,338</b>	<b>(4,125)</b>	<b>26,126</b>	<b>329,659</b>	<b>1,303,613</b>
Net loss	—	—	—	(256,164)	—	—	(3,179)	(259,343)
Annual recurring compensation earned	—	—	—	(10,125)	—	—	—	(10,125)
Reclassification and remeasurement from equity to mezzanine equity for non-controlling interests in Adtran Networks	—	—	(116,895)	—	—	—	(326,862)	(443,757)
Other comprehensive income, net of tax	—	—	—	—	—	21,339	382	21,721
Dividend payments (\$0.09 per share)	—	—	—	(21,237)	—	—	—	(21,237)
Dividends accrued on unvested restricted stock units	—	—	—	8	—	—	—	8
Deferred compensation adjustments, net of tax	—	—	—	(145)	(1,700)	—	—	(1,845)
ADTRAN RSUs and restricted stock vested	859	9	—	(1,115)	—	—	—	(1,106)
ADTRAN stock options exercised	23	—	—	164	—	—	—	164
Redemption of redeemable non-controlling interest	—	—	—	371	—	—	—	371
Adtran Networks stock options exercised	—	—	323	—	—	—	—	323
ADTRAN stock-based compensation expense	—	—	16,016	—	—	—	—	16,016
Adtran Networks stock-based compensation expense	—	—	26	—	—	—	—	26
<b>Balance as of December 31, 2023</b>	<b>78,970</b>	<b>790</b>	<b>795,304</b>	<b>(232,905)</b>	<b>(5,825)</b>	<b>47,465</b>	<b>—</b>	<b>604,829</b>
Net loss	—	—	—	(441,048)	—	—	—	(441,048)
Annual recurring compensation earned	—	—	—	(9,824)	—	—	—	(9,824)
Remeasurement of redeemable non-controlling interest	—	—	(1,175)	—	—	—	—	(1,175)
Other comprehensive loss, net of tax	—	—	—	—	—	(36,568)	—	(36,568)
Deferred compensation adjustments, net of tax	—	—	(368)	—	627	—	—	259
ADTRAN RSUs and restricted stock vested	374	4	—	(1,026)	—	—	—	(1,022)
ADTRAN stock options exercised	139	1	—	824	—	—	—	825
Modification of Stock Options	—	—	(190)	—	—	—	—	(190)
Redemption of redeemable non-controlling interest	—	—	—	2,986	—	—	—	2,986
ADTRAN stock-based compensation expense	—	—	14,825	—	—	—	—	14,825
Adtran Networks stock-based compensation expense	—	—	517	—	—	—	—	517
<b>Balance as of December 31, 2024</b>	<b>79,483</b>	<b>\$ 795</b>	<b>\$ 808,913</b>	<b>\$ (680,993)</b>	<b>\$ (5,198)</b>	<b>\$ 10,897</b>	<b>\$ —</b>	<b>\$ 134,414</b>

See accompanying notes to consolidated financial statements.



**ADTRAN Holdings, Inc.**  
**Consolidated Statements of Cash Flows**  
(In thousands)  
Years ended December 31, 2024, 2023 and 2022

	2024	2023	2022
<b>Cash flows from operating activities:</b>			
Net Loss	\$ (441,048)	\$ (259,343)	\$ (8,888)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	90,985	112,949	67,553
Asset impairment	—	—	17,433
Goodwill impairment	292,583	37,874	—
Amortization of debt issuance cost	3,950	862	288
(Accretion) amortization on available-for-sale investments, net	—	(22)	19
(Gain) loss on investments	(5,030)	(2,900)	9,826
Net loss on disposal of property, plant and equipment	1,371	458	152
Stock-based compensation expense	15,342	16,016	28,322
Deferred income taxes	2,247	15,558	(62,388)
Inventory write down - business efficiency program	4,135	24,313	—
Inventory reserves	3,980	25,546	(2,363)
Other, net	—	(2,942)	—
Change in operating assets and liabilities:			
Accounts receivable, net	46,108	65,612	788
Other receivables	10,713	10,315	(20,088)
Income taxes receivable	648	(2,637)	—
Inventory	75,171	20,537	(73,237)
Prepaid expenses, other current assets and other assets	(10,718)	(29,883)	(7,116)
Accounts payable	11,784	(91,907)	28,105
Accrued expenses and other liabilities	5,519	17,929	(20,483)
Income taxes payable	(4,670)	(3,939)	(2,151)
<b>Net cash provided by (used in) operating activities</b>	<b>103,070</b>	<b>(45,604)</b>	<b>(44,228)</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment	(32,454)	(33,683)	(17,072)
Purchases of intangibles - developed technology	(30,671)	(9,438)	—
Proceeds from sales and maturities of available-for-sale investments	1,240	10,567	51,661
Purchases of available-for-sale investments	(268)	(868)	(23,899)
(Payments) for and proceeds from beneficial interests in securitized accounts receivable	(55)	1,218	1,126
Proceeds from disposals of property, plant and equipment	—	—	12
Acquisition of business, net of cash acquired	—	—	44,003
<b>Net cash (used in) provided by investing activities</b>	<b>(62,208)</b>	<b>(32,204)</b>	<b>55,831</b>
<b>Cash flows from financing activities:</b>			
Tax withholdings related to stock-based compensation settlements	(1,143)	(6,458)	(4,253)
Proceeds from stock option exercises	824	540	6,904
Dividend payments	—	(21,237)	(22,885)
Proceeds from receivables purchase agreement	68,556	14,099	—
Repayments on receivables purchase agreement	(83,772)	—	—
Proceeds from draw on revolving credit agreements	26,000	163,733	141,887
Repayment of revolving credit agreements	(31,000)	(64,987)	(48,000)
Redemption of redeemable non-controlling interest	(17,398)	(1,224)	—
Payment of annual recurring compensation to non-controlling interest	(10,084)	—	—
Payment of debt issuance cost	(1,994)	(708)	(3,015)
Repayment of notes payable	—	(24,891)	(17,702)
<b>Net cash (used in) provided by financing activities</b>	<b>(50,011)</b>	<b>58,867</b>	<b>52,936</b>
Net (decrease) increase in cash and cash equivalents	(9,149)	(18,941)	64,539
Effect of exchange rate changes	(451)	(2,536)	(12,713)
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<b>87,167</b>	<b>108,644</b>	<b>56,818</b>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b>\$ 77,567</b>	<b>\$ 87,167</b>	<b>\$ 108,644</b>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest	\$ 20,884	\$ 12,596	\$ 1,728
Cash paid for income taxes, net of refunds	\$ 6,691	\$ 18,552	\$ 3,832
Cash used in operating activities related to operating leases	\$ 9,274	\$ 9,682	\$ 5,229
<b>Supplemental disclosure of non-cash investing activities:</b>			
Right-of-use assets obtained in exchange for lease obligations	\$ 5,317	\$ 17,865	\$ 3,410
Purchases of property, plant and equipment included in accounts payable	\$ 2,635	\$ 1,298	\$ 1,165
Redemption of redeemable non-controlling interest	\$ 2,986	\$ 371	\$ —
Adtran Networks common shares exchanged in acquisition	\$ —	\$ —	\$ 565,491
Adtran Networks options assumed in acquisition	\$ —	\$ —	\$ 12,769
Non-controlling interest related to Adtran Networks	\$ —	\$ —	\$ 316,415

See accompanying notes to consolidated financial statements.

**ADTRAN Holdings, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**GENERAL**

ADTRAN Holdings, Inc. (“Adtran” or the “Company”) is a leading global provider of networking and communications platforms, software, systems and services focused on the broadband access market, serving a diverse domestic and international customer base in multiple countries that includes large, medium and small Service Providers, alternative Service Providers, such as utilities, municipalities and fiber overbuilders, cable/MSOs, SMBs and distributed enterprises, including Fortune 500 companies with sophisticated business continuity applications; and federal, state and local government agencies. Our innovative solutions and services enable voice, data, video and internet-communications across a variety of network infrastructures and are currently in use by millions worldwide. We support our customers through our direct global sales organization and our distribution networks. Our success depends upon our ability to increase unit volume and market share through the introduction of new products and succeeding generations of products having optimal selling prices and increased functionality as compared to both the prior generation of a product and to the products of competitors in order to gain market share. To service our customers and grow revenue, we are continually conducting research and developing new products addressing customer needs and testing those products for the specific requirements of the particular customers. We offer a broad portfolio of flexible software and hardware network solutions and services that enable Service Providers to meet today’s service demands, while enabling them to transition to the fully converged, scalable, highly-automated, cloud-controlled voice, data, internet and video network of the future. In addition to our global headquarters in Huntsville, Alabama, and our European headquarters in Munich, Germany, we have sales and research and development facilities in strategic global locations.

The Company solely owns ADTRAN, Inc. and is the majority shareholder of Adtran Networks SE (“Adtran Networks”). ADTRAN, Inc. is a leading global provider of open, disaggregated networking and communications solutions. Adtran Networks is a global provider of network solutions for data, storage, voice and video services. We believe that the combined technology portfolio can best address current and future customer needs for high-speed connectivity from the network core to the end consumer, especially upon the convergence of solutions at the network edge.

**Liquidity, Domination and Profit and Loss Transfer Agreement and Credit Facility**

The DPLTA between the Company, as the controlling company, and Adtran Networks SE (“Adtran Networks”), as the controlled company, as executed on December 1, 2022, became effective on January 16, 2023, as a result of its registration with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) at the registered seat of Adtran Networks (Jena).

Under the DPLTA, subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, (i) the Company is entitled to issue binding instructions to the management board of Adtran Networks, (ii) Adtran Networks will transfer its annual profit to the Company, subject to, among other things, the creation or dissolution of certain reserves, and (iii) the Company will generally absorb the annual net loss incurred by Adtran Networks. The Company’s payment obligation in satisfaction of the requirement that it absorb Adtran Networks’ annual net loss applied for the first time to the net loss generated in 2023.

Pursuant to the terms of the DPLTA, each Adtran Networks shareholder (other than the Company) has received an offer to elect either (1) to remain an Adtran Networks shareholder and receive from us an Annual Recurring Compensation payment, or (2) to receive Exit Compensation plus guaranteed interest. The guaranteed interest under the Exit Compensation is calculated from the effective date of the DPLTA to the date the shares are tendered, less any Annual Recurring Compensation paid. The guaranteed interest rate is 5.0% plus a variable component (according to the German Civil Code) that was 3.37% as of December 31, 2024. Assuming all the minority holders of currently outstanding Adtran Networks shares were to elect the second option, we would be obligated to make aggregate Exit Compensation payments, including guaranteed interest, of approximately €333.2 million or approximately \$344.9 million, based on an exchange rate as of December 31, 2024 and reflecting interest accrued through December 31, 2024 during the pendency of the appraisal proceedings discussed below. Shareholders electing the first option of Annual Recurring Compensation may later elect the second option. The opportunity for outside Adtran Networks shareholders to tender Adtran Networks shares in exchange for Exit Compensation had been scheduled to expire on March 16, 2023. However, due to the appraisal proceedings that have been initiated in accordance with applicable German law, this time period for tendering shares has been extended pursuant to the German Stock Corporation Act (*Aktiengesetz*) and will end two months after the date on which a final decision in such appraisal proceedings has been published in the Federal Gazette (*Bundesanzeiger*). The Company expects to receive a procedural decision during 2025 that will likely be appealed. The date of a decision by the court on the merits of the case is uncertain, but it is unlikely that such decision will be rendered in 2025. Thereafter an expected appeal process will take a further 12-24 months to resolve.

Additionally, our obligation to pay Annual Recurring Compensation under the DPLTA is a continuing payment obligation, which will amount to approximately €8.9 million (or \$9.3 million based on the current exchange rate) per year assuming none of the minority Adtran Networks shareholders as of December 31, 2024 were to elect Exit Compensation. The foregoing amounts do not reflect any potential increase in payment obligations that we may have depending on the outcome of ongoing appraisal proceedings in Germany. The Annual Recurring Compensation is due on the third banking day following the ordinary general shareholders’ meeting of Adtran

Networks for the respective preceding fiscal year (but in any event within eight months following expiration of the fiscal year). With respect to the 2023 fiscal year, Adtran Networks' ordinary general shareholders' meeting occurred on June 28, 2024 and, therefore, the Annual Recurring Compensation was paid on July 3, 2024. With respect to the 2024 fiscal year, Adtran Networks' ordinary general shareholder meeting is scheduled for June 27, 2025 and, therefore, the Annual Recurring Compensation will be due on July 2, 2025. During the year ended December 31, 2024 and 2023, we accrued \$9.8 million and \$10.1 million, respectively, in Annual Recurring Compensation. The Annual Recurring Compensation is reflected as an increase to retained deficit in the Consolidated Balance Sheets.

On October 18, 2022, the Company's Board of Directors authorized the Company to purchase additional shares of Adtran Networks through open market purchases not to exceed 15,346,544 shares. For the year ended December 31, 2024, approximately 831 thousand shares of Adtran Networks stock were tendered to the Company. This resulted in total Exit Compensation payments of approximately €15.7 million, or approximately \$17.4 million, based on exchange rates at the time of the transactions, being paid to Adtran Networks shareholders. For the year ended December 31, 2023, a total of 67 thousand shares of Adtran Networks stock was tendered to the Company and Exit Compensation payments of approximately €1.2 million or approximately \$1.3 million based on an exchange rate as of December 31, 2023, were paid to Adtran Networks shareholders.

On July 18, 2022, ADTRAN, Inc., as the borrower, and ADTRAN Holdings, Inc. entered into a credit agreement with a syndicate of banks, including Wells Fargo Bank, National Association, as administrative agent ("Administrative Agent"), and the other lenders named therein ("Credit Agreement"), which has since been amended four times. The Company had access to \$180.8 million on its Credit Facility for future borrowings; however, as of December 31 2024, the Company was limited to additional borrowings of \$56.1 million based on debt covenant compliance metrics. The financial covenants under the Credit Agreement, as amended, require the Company to maintain a Consolidated Total Net Leverage Ratio of 5.00x, a Consolidated Senior Secured Net Leverage Ratio of 3.25x (4.0x to 3.5x during a Springing Covenant Period) and a Consolidated Fixed Charge Coverage Ratio of 1.25x. *See Note 11, Credit Agreements for additional information regarding the terms of the Wells Fargo Credit Agreement and its amendments.*

As of December 31, 2024, and as of the date of issuance of these financial statements, the Company does not have sufficient liquidity to meet payment obligations under the DPLTA pertaining to Exit Compensation. While the Company did experience \$17.4 million of redemptions during 2024, we believe the probability that more than a small minority of Adtran Networks shareholders elect to receive Exit Compensation in the next twelve months is remote based on the following factors: (i) the shareholders can exercise their right to receive the Exit Compensation until two months after publication of the final decision in the appraisal proceedings and we do not expect the publication of the final decision for at least another 12 months; (ii) the diverse base of shareholders that must make this election on an individual shareholder basis; (iii) the fact that the Company expects to receive a procedural decision during 2025 that will likely be appealed and, while the date of a decision by the court on the merits of the case is uncertain, it is unlikely that such decision will be rendered in 2025 and an expected appeal process will take a further 12-24 months to resolve; (iv) the current guaranteed Annual Recurring Compensation payment; and (v) the current trading value of Adtran Networks shares.

The Company experienced revenue declines in 2024. The Company is implementing plans to preserve cash liquidity to maintain compliance with the Company's covenants in case of further impacts related to customer inventory reduction initiatives and uncertain macroeconomic conditions. Additionally, the Company suspended dividend payments and effectuated a Business Efficiency Program. The Business Efficiency Program was substantially completed as of December 31, 2024, other than the Company's aim of selling its headquarters. The Company has determined that it is probable that the sale of our headquarters in Huntsville will occur within the next twelve months after December 31, 2024. We may need to further reduce capital expenditure and/or take other steps to preserve working capital in order to ensure that we can meet our needs and obligations and maintain compliance with our debt covenants.

In summary, the Company believes that its cash and cash equivalents, investments, working capital management initiatives and availability to access cash under the Wells Fargo credit facility will be adequate to meet our business operating requirements, our capital expenditures and our expected obligations under the DPLTA, including anticipated levels of Exit Compensation and to support our ability to continue to comply with our debt covenants under the Credit Facility, for at least the next twelve months, from the issuance of these financial statements. *See Note 11, Credit Agreements, for additional information regarding the terms of the Amendments of the Wells Fargo Credit agreement.*

## **Note 1 - Summary Of Significant Accounting Policies**

### **Basis of Presentation**

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") and include the financial position, results of operations, comprehensive (loss) income, changes in equity and cash flows of Adtran and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

## Revision of Previously Issued Consolidated Financial Statements

Following the third quarter of 2024, the Company identified errors primarily impacting the carrying values of the redeemable non-controlling interest, retained deficit, the net income attributable to the non-controlling interest and the net loss attributable to the Company and, as a consequence, of the loss per common share attributable to the Company. The Company has evaluated the errors and determined that the related impacts were not material to the previously issued consolidated financial statements for any prior period. A summary of the corrections to the Company's Consolidated Financial Statements for the periods ended March 31, 2023, June 30, 2023, September 30, 2023, December 31, 2023, March 31, 2024 and June 30, 2024, are as follows:

- (a) Pursuant to the terms of the DPLTA, each Adtran Networks shareholder (other than the Company) is entitled to receive from us an Annual Recurring Compensation payment of €0.52 per share. The Company erroneously accrued this liability every quarter at €0.59 per share, overstating the associated accrual, the net income attributable to non-controlling interest and the net loss attributable to ADTRAN Holdings, Inc. for fiscal periods beginning with the quarter ended March 31, 2023 through the quarter ended June 30, 2024.
- (b) For the periods beginning with the quarter ended March 31, 2023 through the quarter ended June 30, 2024 the Company remeasured the redeemable non-controlling interest each quarter-end at the current exchange rate of euros to U.S. Dollar. The Company treated the redeemable non-controlling interest as a monetary mezzanine equity instrument but should have treated it as a non-monetary mezzanine equity instrument not subject to remeasurement.

The following tables reflect the impact of the revisions to the specific line items presented in the Company's previously reported Consolidated Balance Sheet as of December 31, 2023, the Consolidated Statement of Loss and the Consolidated Statement of Comprehensive Loss for the year ended December 31, 2023.

	December 31, 2023			
	As Previously Reported	Revision		As Revised
<i>(In thousands)</i>				
Accrued Expenses and Other Liabilities	\$ 37,607	\$ (1,403)	(a)	\$ 36,204
<b>Total Current Liabilities</b>	<b>\$ 279,511</b>	<b>\$ (1,403)</b>		<b>\$ 278,108</b>
<b>Total Liabilities</b>	<b>\$ 636,934</b>	<b>\$ (1,403)</b>		<b>\$ 635,531</b>
Redeemable Non-Controlling Interest	\$ 451,756	\$ (9,604)	(b)	\$ 442,152
Accumulated Other Comprehensive Income	\$ 47,461	\$ 4	(a)	\$ 47,465
Retained Deficit	\$ (243,908)	\$ 11,003	(a)(b)	\$ (232,905)
<b>Total Equity</b>	<b>\$ 593,822</b>	<b>\$ 11,007</b>		<b>\$ 604,829</b>
<b>Total Liabilities, Redeemable Non-Controlling Interest and Equity</b>	<b>\$ 1,682,512</b>	<b>\$ —</b>		<b>\$ 1,682,512</b>

	For the Year Ended December 31, 2023			
	As Previously Reported	Revision		As Revised
<i>(In thousands)</i>				
Less: Net Income attributable to non-controlling interest	\$ 8,345	\$ (1,399)	(a)	\$ 6,946
<b>Net Loss attributable to ADTRAN Holdings, Inc.</b>	<b>\$ (267,688)</b>	<b>\$ 1,399</b>	(a)	<b>\$ (266,289)</b>
Loss per common share attributable to ADTRAN Holdings, Inc. – basic	\$ (3.41)	\$ 0.02	(a)	\$ (3.39)
Loss per common share attributable to ADTRAN Holdings, Inc. – diluted	\$ (3.41)	\$ 0.02	(a)	\$ (3.39)
Foreign currency translation gain	\$ 22,753	\$ 4	(a)	\$ 22,757
<b>Other Comprehensive Income, net of tax</b>	<b>\$ 21,717</b>	<b>\$ 4</b>		<b>\$ 21,721</b>
<b>Comprehensive Loss, net of tax</b>	<b>\$ (237,626)</b>	<b>\$ 4</b>		<b>\$ (237,622)</b>
Less: Comprehensive Income attributable to non-controlling interest, net of tax	\$ 8,727	\$ (1,399)	(a)	\$ 7,328
<b>Comprehensive Loss attributable to ADTRAN Holdings, Inc., net of tax</b>	<b>\$ (246,353)</b>	<b>\$ 1,403</b>	(a)	<b>\$ (244,950)</b>

## Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Significant estimates include allowance for credit losses on accounts receivable and contract assets, excess and obsolete inventory reserves, warranty reserves, customer rebates,

determination and accrual of the deferred revenue related to performance obligations under contracts with customers, estimated costs to complete obligations associated with deferred and accrued revenue and network installations, estimated income tax provision and income tax contingencies, fair value of stock-based compensation, assessment of goodwill and other intangibles for impairment, estimated lives of intangible assets, estimates of intangible assets upon measurement, estimated pension liability and fair value of investments and estimated contingent liabilities. Actual amounts could differ significantly from these estimates.

We assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to us and the unknown future impacts of ongoing inflationary pressures, continued elevated interest rates, instability in the financial services industry, currency fluctuations and political tensions as of December 31, 2024, and through the date of this report. These conditions could result in further impacts to the Company's consolidated financial statements in future reporting periods. The accounting matters assessed included, but were not limited to, the allowance for credit losses, stock-based compensation, carrying value of goodwill, intangibles and other long-lived assets, financial assets, valuation allowances for tax assets, revenue recognition and costs of revenue.

### **Summary of Significant Accounting Policies**

#### **Cash and Cash Equivalents**

Cash and cash equivalents represent demand deposits, money market funds and short-term investments classified as available-for-sale with original maturities of three months or less. We maintain depository investments with certain financial institutions. As of December 31, 2024 \$74.0 million of our cash and cash equivalents, primarily certain domestic money market funds and foreign depository accounts, were in excess of government provided insured depository limits. Although these depository investments may exceed government insured depository limits, we have evaluated the credit worthiness of these applicable financial institutions and determined the risk of material financial loss due to the exposure of such credit risk to be minimal.

#### **Fair Value of Financial Instruments**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models may be applied. Assets and liabilities recorded at fair value in our consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values.

The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the immediate or short-term maturity of these financial instruments.

The fair value measurements of our derivative instruments are determined using models that maximize the use of the observable market inputs including interest rate curves and both forward and spot prices for currencies, and are classified as Level II under the fair value hierarchy. The fair values of our derivatives are included in Note 10.

Investments with contractual maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. Despite the long-term nature of their stated contractual maturities, we routinely buy and sell these securities and we believe we have the ability to quickly sell them to the remarketing agent, tender agent or issuer at par value plus accrued interest in the event we decide to liquidate our investment in a particular variable rate demand note. All income generated from these investments is recorded as interest income. We have not recorded any losses relating to variable rate demand notes.

Long-term investments is comprised of our deferred compensation plan assets, marketable equity securities and other equity investments. Marketable equity securities are reported at fair value as determined by the most recently traded price of the securities at the balance sheet date, although the securities may not be readily marketable due to the size of the available market. Any changes in fair value are recognized in net investment gain (loss). Realized gains and losses on sales of debt securities are computed under the specific identification method and are included in other income, net. *See Note 4 for additional information.*

#### **Accounts Receivable**

The Company records accounts receivable at amortized cost. Prior to establishing payment terms for a new customer, we evaluate the credit risk of the customer. Credit limits and payment terms established for new customers are re-evaluated periodically based on customer collection experience and other financial factors. As of December 31, 2024, no customer comprised more than 10% of our total accounts receivable balance. As of December 31, 2023, a single customer comprised more than 10% of our total accounts receivable balance, which accounted for 11.9% of our total accounts receivable.

The Company regularly reviews the need for an allowance for credit losses related to our outstanding accounts receivable balances using the historical loss-rate method, as well as assessing asset-specific risks. The assessment of asset-specific risks included the evaluation of relevant available information, from internal and external sources, relating to current conditions that may affect a customer's ability to pay, such as the customer's current financial condition or credit rating by geographic location, as provided by a third party and/or by

customer, if needed, and overall macro-economic conditions in which the customer operates. Based on this assessment, an allowance for credit losses would be recorded if the Company determined that, based on our historical write-offs, which have been immaterial, and such asset specific risks, there was risk in collectability of the full amount of any accounts receivable.

### **Accounts Receivable Factoring**

#### *Receivables Purchase Agreement*

On July 1, 2024, the Company entered into a receivables purchase agreement (the "Factoring Agreement") with a third-party financial institution (the "Factor"), which accelerates receivable collection and helps to better manage cash flow. These transactions are accounted for in accordance with ASC Topic 860 and result in a reduction in accounts receivable because the Factoring Agreement transfers effective control over, and risk related to the receivables to the buyers. Trade accounts receivables balances sold are removed from the Consolidated Balance Sheets and cash received is reflected as cash flows provided by (used in) operating activities in the Consolidated Statements of Cash Flow. Factoring related interest expense is recorded to interest expense on the Consolidated Statements of Loss. On each sale date, the Factor retains from the sale price a default reserve, up to a required balance, which is held by the Factor in a reserve account and pledged to the Company. The Factor is entitled to withdraw from the reserve account the sale price of a defaulted receivable. The balance in the reserve account is included in other assets on the Consolidated Balance Sheets.

#### *Previous Receivables Purchase Agreement*

On December 19, 2023, the Company entered into a factoring agreement with a third-party financial institution to sell, on a revolving basis, undivided interests in the Company's accounts receivable. The factoring agreement qualified for treatment as a secured borrowing with a pledge of collateral under Accounting Standards Codification ("ASC") Topic 810, Consolidations, as the Company was considered the primary beneficiary in a variable interest entity created to hold the factored receivables and the Company retained a residual claim on reserves related to the factored receivables. The receivables factored were carried in accounts receivable, less allowance for credit losses on the Consolidated Balance Sheets, the secured borrowings were carried on the Company's Consolidated Balance Sheets as a current liability, in accounts payable, proceeds and repayments of the secured borrowings are reflected as cash flows (used in) provided by financing activities in the Consolidated Statements of Cash Flows and program fees are recorded in interest expense in the Company's Consolidated Statements of Loss. The short-term liability classification of the secured borrowings was based on the estimated timing of the collection of the accounts receivable which were expected to be received within 12 months. The receivables purchase agreement was terminated on July 1, 2024 and there were no secured borrowings under this agreement as of December 31, 2024. *See Note 2 for additional information.*

### **Inventory**

Inventory is carried at the lower of cost and estimated net realizable value, with cost being determined using the first-in, first-out method. Standard costs for material, labor and manufacturing overhead are used to value inventory and are updated at least quarterly. We establish reserves for estimated excess and obsolete inventory equal to the difference between the cost of the inventory and the estimated net realizable value of the inventory based on estimated reserve percentages, which consider historical usage, known trends, inventory age and market conditions. When we dispose of excess and obsolete inventories, the related disposals are charged against the inventory reserve. *See Note 5 for additional information.*

### **Property, Plant and Equipment**

Property, plant and equipment, which is stated at cost, is depreciated using the straight-line method over the estimated useful lives of the assets. We depreciate building and land improvements from 5 to 39 years, office machinery and equipment from three to seven years, engineering machinery and equipment from three to seven years, and computer software from three to five years. Expenditures for repairs and maintenance are charged to expense as incurred. Major improvements that materially prolong the lives of the assets are capitalized. Gains and losses on the disposal of property, plant and equipment are recorded in operating loss. *See Note 6 for additional information.*

### **Assets Held for Sale**

An asset is considered to be held for sale when all the following criteria are met: (i) management commits to a plan to sell the asset; (ii) the asset is available for immediate sale in its present condition; (iii) actions required to complete the sale of the asset have been initiated; (iv) sale of the asset is probable and the completed sale is expected to occur within one year; (v) it is unlikely that the disposal plan will be significantly modified; and (vi) the asset is actively being marketed for sale at a price that is reasonable given its current market value.

The Company records assets held for sale at the lower of their carrying value or fair value. The total carrying value of assets held for sale was \$11.9 million as of December 31, 2024 and is separately recorded on the balance sheet.

## **Intangible Assets**

Purchased intangible assets with finite lives are carried at cost less accumulated amortization. Amortization is recorded over the estimated useful lives of the respective assets. *See Note 9 for additional information.*

## **Impairment of Long-Lived Assets and Intangibles**

Long-lived assets, such as property, plant and equipment, right of use lease assets and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset or asset group.

During the first quarter of 2024, factors triggered a quantitative impairment assessment for the Network Solutions asset group. The long-lived assets associated with the Network Solutions asset group was approximately \$358.6 million as of December 31, 2024

There were no impairment losses for long-lived assets and intangible assets during the years ended December 31, 2024, 2023 and 2022. *See Note 9 for additional information.*

## **Goodwill**

Goodwill represents the excess purchase price over the fair value of net assets acquired. The Company's annual impairment assessment is done at the reporting unit level, which we determined are generally the same as our operating segments, which are identified in Note 16 to the Consolidated Financial Statements. We review goodwill for impairment annually during the fourth quarter and also test for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of our reporting units below their carrying amount. Such events and circumstances may include among others: a significant adverse change in legal factors or in the general business climate; significant decline in our stock price and market capitalization; unanticipated competition; the testing for recoverability of a significant asset within the reporting unit; and an adverse action or assessment by a regulator. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on our consolidated financial statements.

The Company's annual impairment test date is October 1, 2024. Based on our analysis, management concluded that there was no impairment of goodwill as of that date. Between the annual impairment date of October 1, 2024 and year-end December 31, 2024, there were no additional triggering events.

The Company recognized impairments of \$292.6 million and \$37.9 million during the years ended December 31, 2024 and 2023, respectively. No goodwill impairment charge was recorded during the year ended December 31, 2022. *See Note 8 for additional information.*

## **Other Non-Current Assets**

Implementation costs incurred for hosting arrangements that are related to service contracts are capitalized and amortized over the term of the arrangement. Capitalized implementation costs totaled \$0.1 million and \$0.3 million as of December 31, 2024 and 2023, respectively, and are included in other non-current assets on the Consolidated Balance Sheets. In connection with the planned integration of information technology following the Business Combination, we determined that certain projects no longer fit our needs. The Company recognized impairment charges of \$16.9 million during the year ended December 31, 2022 primarily related to capitalized implementation costs for a cloud computing arrangement. The impairment charges were determined based on actual costs incurred. During the year ended December 31, 2024 and 2023, no impairment charges were recognized. We depreciate capitalized implementation costs over various lives. Amortization expense was \$0.1 million, \$5.9 million and \$3.9 million for the years ended December 31, 2024, 2023 and 2022, respectively, which is recorded almost entirely in selling, general and administrative expenses in the Consolidated Statements of Loss.

## **Pension Benefit Plan Obligations**

The Company maintains a defined benefit pension plans covering employees in certain foreign countries. Pension benefit plan obligations are based on various assumptions used by our actuaries in calculating these amounts. These assumptions include discount rates, compensation rate increases, expected return on plan assets, retirement rates and mortality rates. Actual results that differ from the assumptions and changes in assumptions could affect future expenses and obligations. *See Note 13 for additional information.*

## **Lease Obligations**

The Company has operating leases for office space, automobiles and various other equipment in the U.S. and in certain international locations. Other contracts, such as manufacturing agreements and service agreements, are reviewed to determine if they contain potential embedded leases. These other contracts are specifically reviewed to determine whether we have the right to substantially all of the

economic benefit from the use of any specified assets or the right to direct the use of any specified assets, either of which would indicate the existence of a lease. Some of our leases include options to renew. For those leases that are reasonably assured to be renewed, we have included the option to extend as part of our right of use asset and lease liability. The exercise of lease renewal options is at our sole discretion. The depreciable life of leased assets and leasehold improvements are limited by the expected lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet and lease expense for these leases is recognized on a straight-line basis over the lease term. For lease agreements entered into or reassessed after the adoption of Topic 842, we elected to not separate lease and non-lease components. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

### **Stock-Based Compensation**

The Company has two stock incentive plans from which stock options, performance stock units (“PSUs”), restricted stock units (“RSUs”) and restricted stock are available for grant to employees and directors. Costs related to these awards are recognized over their vesting periods.

Stock-based compensation expense recognized for the years ended December 31, 2024, 2023 and 2022 was approximately \$15.3 million, \$16.0 million and \$28.3 million, respectively. *See Note 3 for additional information.*

### **Research and Development Costs**

Research and development costs include compensation for engineers and support personnel, contracted services, depreciation and material costs associated with new product development, enhancement of current products and product cost reductions. We continually evaluate new product opportunities and engage in intensive research for product and software development efforts. Research and development costs totaled \$221.5 million, \$258.3 million and \$173.8 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Adtran Networks has arrangements with governmental entities for the purposes of obtaining funding for research and development activities. The Company classifies government grants received under these arrangements as a reduction to research and development expense incurred. For the years ended December 31, 2024, 2023 and 2022, the Company recognized \$9.2 million, \$5.2 million and \$1.1 million, respectively, as a reduction of research and development expense.

### **Income Taxes**

The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from the difference between financial and tax basis of our assets and liabilities and are adjusted for changes in tax rates and tax laws when such changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

In determining whether an uncertain tax position exists, the Company determines, based solely on its technical merits, whether the tax position is more likely than not to be sustained upon examination, and if so, a tax benefit is measured on a cumulative probability basis that is more likely than not to be realized upon the ultimate settlement. The Company recognizes interest and penalties related to unrecognized tax benefits through interest expense and income tax expense, respectively.

### **Foreign Currency**

Transactions with customers that are denominated in foreign currencies are recorded using the appropriate exchange rates from throughout the year. Assets and liabilities denominated in foreign currencies are remeasured at the balance sheet dates using the closing rates of exchange between those foreign currencies and the functional currency with any transaction gains or losses reported in other income, net. Our primary exposures to foreign currency exchange rate movements are with our German and United Kingdom subsidiaries, whose functional currencies are the euro and the British pound sterling. Adjustments resulting from translating financial statements of international subsidiaries are recorded as a component of accumulated other comprehensive income.

### **Revenue**

Revenue is measured based on the consideration expected to be received in exchange for transferring goods or providing services to a customer and as performance obligations under the terms of the contract are satisfied. Generally, this occurs with the transfer of control of a product to the customer. For transactions where there are multiple performance obligations, individual products and services are accounted for separately if they are distinct (if a product or service is separately identifiable from other items and if a customer can benefit from it on its own or with other resources that are readily available to the customer). The consideration, including any discounts, is allocated between separate products and services based on their stand-alone selling prices. Stand-alone selling prices are determined based on the prices at which the separate products and services are sold and are allocated based on each item’s relative value to the total value of the products and services in the arrangement. For items that are not sold separately, we estimate stand-alone selling prices



primarily using the “expected cost plus a margin” approach. Payment terms are generally 30 days in the U.S. and typically longer in many geographic markets outside the U.S. Shipping fees collected are recorded as revenue and the related cost is included in cost of revenue. Revenue, value-added and other taxes collected concurrently with revenue-producing activities are excluded from revenue. Incremental costs of obtaining a contract, that are recoverable, are capitalized and amortized over the period that the related revenue is recognized if greater than one year. We have elected to account for shipping fees paid as a cost of fulfilling the related contract. We have also elected to apply the practical expedient related to the incremental costs of obtaining contracts and recognize those costs as an expense when incurred if the amortization period of the assets is one year or less. These costs are included in selling, general and administrative expenses. Capitalized costs with an amortization period greater than one year were immaterial.

Revenue is generated by two reportable segments: Network Solutions and Services & Support.

**Network Solutions Segment** - Includes hardware products and software defined next-generation virtualized solutions used in Service Provider or business networks, as well as prior generation products. The majority of the revenue from this segment is from hardware revenue.

#### *Hardware and Software Revenue*

Revenue from hardware sales is recognized when control is transferred to the customer, which is generally when the products are shipped. Shipping terms are generally FOB shipping point. Revenue from software license sales is recognized at delivery and transfer of control to the customer. Revenue is recognized net of estimated discounts and rebates using historical trends. Customers are typically invoiced when control is transferred and revenue is recognized. Our products generally include assurance-based warranties of 90 days to five years for product defects, which are accrued at the time products are delivered.

**Services & Support Segment** - Includes a complete portfolio of maintenance, network implementation and solutions integration and managed services, which include hosted cloud services and subscription services to complement our Network Solutions segment.

#### *Maintenance Revenue*

Our maintenance service periods range from one month to five years. Customers are typically invoiced and pay for maintenance services at the beginning of the maintenance period. We recognize revenue for maintenance services on a straight-line basis over the maintenance period as our customers benefit evenly throughout the contract term and deferred revenue, when applicable, are recorded in current and non-current unearned revenue.

#### *Network Implementation Revenue*

The Company recognizes revenue for network implementation, which primarily consists of engineering, execution and enablement services at a point in time when each performance obligation is complete. If we have recognized revenue but have not billed the customer, the right to consideration is recognized as a contract asset that is included in other receivables on the Consolidated Balance Sheet. The contract asset is transferred to accounts receivable when the completed performance obligation is invoiced to the customer.

*See Notes 2 and 16 for additional information on reportable segments.*

#### **Unearned Revenue**

Unearned revenue primarily represents customer billings on maintenance service programs and unearned revenue related to multiple element contracts where we still have contractual obligations to our customers. We currently offer maintenance contracts ranging from one month to five years. Revenue attributable to maintenance contracts is recognized on a straight-line basis over the related contract term. In addition, we provide software maintenance and a variety of hardware maintenance services to customers under contracts with terms up to ten years. When we defer revenue related to multiple performance obligations where we still have contractual obligations, we also defer the related costs. Current deferred costs are included in prepaid expenses and other current assets on the accompanying Consolidated Balance Sheets and totaled \$2.2 million and \$2.1 million as of December 31, 2024 and 2023, respectively. Non-current deferred costs included in other non-current assets on the accompanying Consolidated Balance Sheets were less than \$0.1 million as of December 31, 2024 and December 31, 2023.

#### **Redeemable Non-Controlling Interest**

As of December 31, 2024 and 2023, the non-controlling Adtran Networks stockholders’ equity ownership percentage in Adtran Networks was approximately 33.0% and 34.7%, respectively.

As a result of the effectiveness of the DPLTA on January 16, 2023, the Adtran Networks shares, representing the equity interest in Adtran Networks held by holders other than the Company, can be tendered at any time and are, therefore, redeemable and must be classified outside stockholders’ equity. Therefore, the permanent equity noncontrolling interest balance was reclassified to redeemable non-controlling interest (RNCI) on January 16, 2023 and was remeasured to fair value based on the trading market price of the Adtran Networks shares.

Subsequently, the carrying value of the RNCI is adjusted to its maximum redemption value at each reporting date when the maximum redemption value is greater than the initial carrying amount of the RNCI. For the period of time that the DPLTA is in effect, the RNCI will continue to be presented as RNCI outside of stockholders' equity in the Consolidated Balance Sheets. *See Note 15 for additional information on RNCI.*

### **Loss per Share**

Loss per common share and loss per common share assuming dilution are based on the weighted average number of common shares and, when dilutive, common equivalent shares outstanding during the year. *See Note 19 for additional information.*

Loss per common share attributable to ADTRAN Holdings, Inc. - basic and diluted - reflects a \$3.0 million effect of redemption of RNCI for the year ended December 31, 2024. *See Note 19 for additional information.*

### **Recent Accounting Pronouncements Not Yet Adopted**

In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, as amended by ASU 2025-01, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date, which applies to all public business entities and is intended to enhance disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. The amendments are effective prospectively in the first annual period beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption and retrospective application are permitted. The Company is currently evaluating the effect that adoption of ASU 2024-03 will have on our disclosures.

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures", which is intended to enhance the transparency, decision usefulness and effectiveness of income tax disclosures. The amendments in this ASU require a public entity to disclose a tabular tax rate reconciliation, using both percentages and currency, with specific categories. A public entity is also required to provide a qualitative description of the states and local jurisdictions that make up the majority of the effect of the state and local income tax category and the net amount of income taxes paid, disaggregated by federal, state and foreign taxes and also disaggregated by individual jurisdictions. The amendments also remove certain disclosures that are no longer considered cost beneficial. The amendments are effective prospectively for annual periods beginning after December 15, 2024, and early adoption and retrospective application are permitted. The Company is currently evaluating the effect that adoption of ASU 2023-09 will have on our disclosures.

### **Recently Adopted Accounting Pronouncements**

In November 2023, the FASB issued ASU 2023-7, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures", which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses, allowing financial statement users to better understand the components of a segment's profit or loss to assess potential future cash flows for each reportable segment and the entity as a whole. The amendments expand a public entity's segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), clarifying when an entity may report one or more additional measures to assess segment performance, requiring enhanced interim disclosures, providing new disclosure requirements for entities with a single reportable segment, and requiring other new disclosures. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024.

The Company adopted the new standard on January 1, 2024. The adoption of this standard resulted in additional footnote disclosures. The adoption of this standard did not have a material impact on our Consolidated Balance Sheet, Consolidated Statement of Income or Consolidated Statement of Cash Flows. *See Note 16 for additional information.*

There have been no other recently adopted accounting pronouncements that are expected to have a material effect on the Consolidated Financial Statements.

### **Reclassification of Prior Year Presentation**

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on reported results of operations. An adjustment has been made to the Consolidated Balance Sheet and Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2023, to reclassify between Property, Plant and Equipment and Intangible Assets.

## Note 2 - Revenue

The following is a description of the principal activities from which revenue is generated by reportable segment:

*Network Solutions Segment* - Includes hardware and software products that enable a digital future which support the Company's Subscriber, Access and Aggregation, and Optical Networking Solutions.

*Services & Support Segment* - Includes network design, implementation, maintenance and cloud-hosted services supporting the Company's Subscriber, Access and Aggregation, and Optical Networking Solutions.

### Revenue by Category

In addition to operating under two reportable segments, the Company also reports revenue across three categories – Subscriber Solutions, Access & Aggregation Solutions and Optical Networking Solutions.

Our Subscriber Solutions portfolio is used by Service Providers to terminate their access services infrastructure at the customer premises while providing an immersive and interactive experience for residential, business and wholesale subscribers. This revenue category includes hardware- and software-based products and services. These solutions include fiber termination solutions for residential, business and wholesale subscribers, Wi-Fi access solutions for residential and business subscribers, Ethernet switching and network edge virtualization solutions for business subscribers, and cloud software solutions covering a mix of subscriber types.

Our Access & Aggregation Solutions are solutions that are used by communications Service Providers to connect residential subscribers, business subscribers and mobile radio networks to the Service Providers' metro network, primarily through fiber-based connectivity. This revenue category includes hardware- and software-based products and services. Our solutions within this category are a mix of fiber access and aggregation platforms, precision network synchronization and timing solutions, and access orchestration solutions that ensure highly reliable and efficient network performance.

Our Optical Networking Solutions are used by communications Service Providers, internet content providers and large-scale enterprises to securely interconnect metro and regional networks over fiber. This revenue category includes hardware- and software-based products and services. Our solutions within this category include open optical terminals, open line systems, optical subsystems and modules, network infrastructure assurance systems, and automation platforms that are used to build high-scale, secure and assured optical networks.

The following table disaggregates revenue by reportable segment and revenue category for the year ended December 31, 2024:

<i>(In thousands)</i>	<b>Network Solutions</b>	<b>Services &amp; Support</b>	<b>Total</b>
Subscriber Solutions	\$ 295,541	\$ 35,237	\$ 330,778
Access & Aggregation Solutions	232,934	58,072	291,006
Optical Networking Solutions	210,489	90,447	300,936
<b>Total</b>	<b>\$ 738,964</b>	<b>\$ 183,756</b>	<b>\$ 922,720</b>

The following table disaggregates revenue by reportable segment and revenue category for the year ended December 31, 2023:

<i>(In thousands)</i>	<b>Network Solutions</b>	<b>Services &amp; Support</b>	<b>Total</b>
Subscriber Solutions	\$ 263,192	\$ 34,516	\$ 297,708
Access & Aggregation Solutions	304,074	54,344	358,418
Optical Networking Solutions	407,123	85,851	492,974
<b>Total</b>	<b>\$ 974,389</b>	<b>\$ 174,711</b>	<b>\$ 1,149,100</b>

The following table disaggregates revenue by reportable segment and revenue category for the year ended December 31, 2022:

<i>(In thousands)</i>	<b>Network Solutions</b>	<b>Services &amp; Support</b>	<b>Total</b>
Subscriber Solutions	\$ 364,238	\$ 26,216	\$ 390,454
Access & Aggregation Solutions	326,934	47,068	374,002
Optical Networking Solutions	225,621	35,459	261,080
<b>Total</b>	<b>\$ 916,793</b>	<b>\$ 108,743</b>	<b>\$ 1,025,536</b>

The aggregate amount of transaction price allocated to remaining performance obligations that have not been satisfied as of December 31, 2024 and December 31, 2023 related to contractual maintenance agreements, contractual SaaS and subscription services, and hardware contracts that exceed one year in duration amounted to \$325.7 million and 314.8 million, respectively. As of December 31, 2024, approximately 73.0% is expected to be recognized over the next 12 months, and the remainder recognized thereafter. The majority of the Company's remaining performance obligations as of December 31, 2024, are related to contracts or orders that have an original expected duration of one year or less and are excluded from the transaction price related to these future obligations. The Company will generally satisfy the remaining performance obligations as we transfer control of the products ordered or services to our customers, excluding maintenance services, which are satisfied over time.

The following table provides information about accounts receivable, contract assets and unearned revenue from contracts with customers:

<i>(In thousands)</i>	December 31, 2024	December 31, 2023
Accounts receivable	\$ 178,030	\$ 216,445
Contract assets <sup>(1)</sup>	\$ 631	\$ 691
Unearned revenue	\$ 52,701	\$ 46,731
Non-current unearned revenue	\$ 22,065	\$ 25,109

<sup>(1)</sup> Included in other receivables on the Consolidated Balance Sheets.

#### *Accounts Receivable*

The allowance for credit losses were \$1.3 million and, \$0.4 million as of December 31, 2024, and December 31, 2023, respectively, related to accounts receivable.

#### *Receivables Purchase Agreement*

On July 1, 2024, the Company entered into a receivables purchase agreement (the "Factoring Agreement") with a third-party financial institution (the "Factor"), which accelerates receivable collection and helps to better manage cash flow. Total accounts receivables factored as of the end of December 31 2024, totaled \$18.3 million of which \$3.7 million was retained pursuant to the Factoring Agreement in the reserve account. The Factoring Agreement provides for up to \$40.0 million in factoring capacity, subject to eligible receivables and reserve requirements, secured by the receivables. The balance in the reserve account is included in other assets on the Consolidated Balance Sheets. The cost of the Factoring Agreement is included in interest expense in the Consolidated Statements of Loss and totaled \$0.6 million for the year ended December 31, 2024. Costs of a previous receivables purchase agreement which are included in interest expense in the Consolidated Statements of Loss totaled \$0.9 million for the year ended December 31, 2023.

#### *Previous Receivable Purchase Agreement*

On December 19, 2023, the Company entered into a receivables purchase agreement (the "Prior Factoring Agreement") with a third-party financial institution (the "Prior Factoring Agreement") to replace a prior accounts receivable purchase agreement and to sell, on a revolving basis, undivided interests in the Company's accounts receivable. The prior factoring agreement provided for up to \$40.0 million in borrowing capacity, subject to eligible receivables and reserve requirements, secured by the receivables. The prior factoring agreement qualified for treatment as a secured borrowing with a pledge of collateral under Accounting Standards Codification ("ASC") Topic 810, *Consolidations*. The receivables purchase agreement was terminated on July 1, 2024 and there were no secured borrowings under this agreement as of December 31, 2024. Total secured borrowings under the agreement were \$14.3 million as of December 31, 2023, which left \$25.4 million available for future borrowings as of December 31, 2023. Accounts receivable pledged as collateral related to the secured borrowings were \$16.8 million as of December 31, 2023. For the year ended December 31, 2024, the Company incurred program fee expenses of \$0.6 million.

#### *Contract Assets*

No allowance for credit losses was recorded for the years ended December 31, 2024 and 2023, respectively, related to contract assets.

#### *Unearned Revenue*

Of the outstanding unearned revenue balances as of December 31, 2023, \$50.5 million were recognized as revenue during the year ended December 31, 2024. Of the outstanding unearned revenue balances as of December 31, 2022, \$36.2 million were recognized as revenue during the year ended December 31, 2023.

### Note 3 – Stock-Based Compensation

#### 2024 Stock Incentive Plans

At the annual meeting of stockholders held on May 8, 2024, the Company's stockholders approved, upon recommendation of the Board of Directors, the adoption of the ADTRAN Holdings, Inc. 2024 Employee Stock Incentive Plan ("2024 Employee Plan") and the ADTRAN Holdings, Inc. 2024 Directors Stock Plan ("2024 Directors Plan"). No additional awards will be granted under the Company's previous stock incentive plans, including the 2020 Employee Stock Incentive Plan, the 2020 Directors Stock Plan, or the 2015 Employee Stock Incentive Plan. Outstanding awards granted under the Company's prior equity incentive plans will remain subject to the terms of such applicable plans, and shares under such plans that are cancelled or forfeited will be available for issuance under the 2024 Employee Plan or the 2024 Directors Plan, as applicable.

Under the 2024 Employee Plan, the Company is authorized to issue 4.5 million shares of common stock to certain employees, key service providers and advisors through incentive stock options and non-qualified stock options, stock appreciation rights, RSUs and restricted stock, any of which may be subject to performance-based conditions. RSUs and restricted stock granted under the 2024 Employee Plan will typically vest pursuant to a four-year vesting schedule beginning on the first anniversary of the grant date. Stock options granted under the 2024 Employee Plan will typically become exercisable beginning after one year of continued employment, normally pursuant to a four-year vesting schedule beginning on the first anniversary of the grant date and have a ten-year contractual term. Stock options, RSUs and restricted stock granted under the 2024 Employee Plan reduce the shares authorized for issuance under the 2024 Employee Plan by one share of common stock for each share underlying the award. Forfeitures, cancellations and expirations of awards granted under the prior employee stock incentive plans increase the shares authorized for issuance under the 2024 Employee Plan by one share of common stock for each share underlying the award.

Under the 2024 Directors Plan, the Company is authorized to issue 0.6 million shares of common stock through stock options, restricted stock and RSUs to non-employee directors. Stock awards issued under the 2024 Directors Plan typically will become vested in full on the first anniversary of the grant date. Stock options issued under the 2024 Directors Plan will have a ten-year contractual term. Stock options, restricted stock and RSUs granted under the 2024 Directors Plan reduce the shares authorized for issuance under the 2024 Directors Plan by one share of common stock for each share underlying the award. Forfeitures, cancellations and expirations of awards granted under the prior directors stock plan increase the shares authorized for issuance under the 2024 Directors Plan by one share of common stock for each share underlying the award.

As of December 31, 2024, 5.1 million shares were available for issuance pursuant to awards that may be made in the future under stockholder-approved equity plans.

For the years ended December 31, 2024, 2023 and 2022, stock-based compensation expense was \$15.3 million, \$16.0 million and \$28.3 million respectively.

#### PSUs, RSUs and Restricted Stock - ADTRAN Holdings, Inc.

The following table summarizes stock-based compensation expense related to stock options, PSUs, RSUs and restricted stock for the years ended December 31, 2024, 2023 and 2022:

<i>(In thousands)</i>	2024	2023	2022
<b>Stock-based compensation expense included in cost of revenue</b>	<b>\$ 1,142</b>	<b>\$ 1,293</b>	<b>\$ 2,876</b>
Selling, general and administrative expenses	10,412	10,701	20,844
Research and development expenses	3,788	4,022	4,602
<b>Stock-based compensation expense included in operating expenses</b>	<b>14,200</b>	<b>14,723</b>	<b>25,446</b>
<b>Total stock-based compensation expense</b>	<b>15,342</b>	<b>16,016</b>	<b>28,322</b>
Tax benefit for expense associated with non-qualified stock options, PSUs, RSUs and restricted stock	(2,102)	(3,837)	(5,152)
<b>Total stock-based compensation expense, net of tax</b>	<b>\$ 13,240</b>	<b>\$ 12,179</b>	<b>\$ 23,170</b>

*PSUs, RSUs and restricted stock - ADTRAN Holdings, Inc.*

The following table is a summary of our PSUs, RSUs and restricted stock outstanding as of December 31, 2023 and 2024 and the changes that occurred during 2024:

	Number of shares (In thousands)	Weighted Average Grant Date Fair Value (Per Share)
<b>Unvested PSUs, RSUs and restricted stock outstanding, December 31, 2023</b>	<b>1,942</b>	<b>\$ 17.46</b>
PSUs, RSUs and restricted stock granted	1,097	\$ 7.85
PSUs, RSUs and restricted stock vested	(575)	\$ 18.76
PSUs, RSUs and restricted stock forfeited	(129)	\$ 14.20
<b>Unvested PSUs, RSUs and restricted stock outstanding, December 31, 2024</b>	<b>2,335</b>	<b>\$ 13.22</b>

The fair value of PSUs with performance conditions, RSUs and restricted stock is equal to the closing price of the Company's stock on the date of grant. The fair value of PSUs with market conditions is calculated using a Monte Carlo simulation valuation method.

The following table details the significant assumptions that impact the fair value estimate of the market-based PSUs:

	2024	2023	2022
Estimated fair value per share	\$ 8.29	\$ 19.26	\$ 24.01
Expected volatility	51.34%	51.52%	45.77%
Risk-free interest rate	4.12%	3.93%	4.28%
Expected dividend yield	—	2.55%	1.76%

For market-based PSUs, the number of shares of common stock earned by a recipient is subject to a market condition based on Adtran's relative total stockholder return against all companies in the NASDAQ Telecommunications Index at the end of a three-year performance period. Depending on the relative total stockholder return over the performance period, the recipient may earn from 0% to 150% of the shares underlying the PSUs, with the shares earned distributed upon the vesting. The fair value of the award is based on the market price of our common stock on the date of grant, adjusted for the expected outcome of the impact of market conditions using a Monte Carlo Simulation valuation method. A portion of the granted PSUs vests and the underlying shares become deliverable upon the death or disability of the recipient or upon a change of control of Adtran, as defined by the 2020 Employee Plan. The recipients of the PSUs receive dividend credits based on the shares of common stock underlying the PSUs. The dividend credits vest and are earned in the same manner as the PSUs and are paid in cash upon the issuance of common stock for the PSUs.

During the year ended December 31, 2024, and 2023, the Company granted 0.1 and 0.9 million performance-based PSUs to its executive officers and certain employees, respectively. The grant-date fair value of these performance-based awards was based on the closing price of the Company's stock on the date of grant. These awards vest over either a two or three-year period, subject to the grantee's continued employment, with the ability to earn shares in a range of 0% to either 100% or 150% of the awarded number of PSUs based on the achievement of defined performance targets. Equity-based compensation expense and liabilities with respect to these awards may be adjusted over the vesting period to reflect the probability of achievement of performance targets defined in the award agreements.

During each of the years ended December 2023 and 2022, the Company granted 0.9 and 0.3 million performance-based PSUs to its executive officers and certain employees. The grant-date fair value of these performance-based awards was based on the closing price of the Company's stock on the date of grant. These awards vested over one-year and two-year periods, respectively, subject to the grantee's continued employment, with the ability to earn shares in a range of 0% to 142.8% of the awarded number of PSUs based on the achievement of defined performance targets. Equity-based compensation expense with respect to these awards may be adjusted over the vesting period to reflect the probability of achievement of performance targets defined in the award agreements. Pursuant to the Business Combination, the unearned performance-based PSUs converted to time-based RSUs which were treated as an award modification during the third quarter of 2022. This resulted in incremental compensation expense totaling \$17.8 million being recognized during the twelve months ended December 31, 2022. These awards were fully vested as of December 31, 2022.

Pursuant to the Business Combination, 0.3 million shares of market-based PSU awards converted to time-based RSU awards which were treated as an award modification during the third quarter of 2022. Given that the fair value of these awards after the modification was less than the fair value of the awards immediately before the modification, no incremental compensation expense was recognized. The Company continued to recognize compensation expense based on the award's original grant date fair value.

The fair value of RSUs and restricted stock is equal to the closing price of our stock on the grant date. RSUs and restricted stock vest ratably over four-year and one-year periods, respectively.



We will continue to assess the assumptions and methodologies used to calculate the estimated fair value of stock-based compensation. If circumstances change, and additional data becomes available over time, we may change our assumptions and methodologies, which may materially impact our fair value determination.

As of December 31, 2024, total unrecognized compensation expense related to the non-vested portion of market-based PSUs, RSUs and restricted stock was approximately \$10.7 million, which is expected to be recognized over an average remaining recognition period of 2.1 years. There was \$10.9 million of unrecognized compensation expense related to unvested 2024 performance-based PSUs, which will be recognized over the remaining requisite service period of 1 years if achievement of the performance obligation becomes probable. Unrecognized compensation expense will be adjusted for actual forfeitures as they occur.

*Stock Options - ADTRAN Holdings, Inc.*

The following table is a summary of stock options outstanding as of December 31, 2024 and 2023 and the changes that occurred during 2024:

	Number of Options (In thousands)	Weighted Average Exercise Price (Per share)	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In thousands)
<b>Stock options outstanding, December 31, 2023</b>	<b>3,894</b>	<b>\$ 10.32</b>	<b>5.25</b>	<b>\$ 3,087</b>
Stock options exercised	(139)	\$ 5.93		
Stock options forfeited	(202)	\$ 6.78		
Stock options expired	(609)	\$ 14.69		
<b>Stock options outstanding, December 31, 2024</b>	<b>2,944</b>	<b>\$ 9.86</b>	<b>4.98</b>	<b>\$ 3,762</b>
<b>Stock options exercisable, December 31, 2024</b>	<b>1,465</b>	<b>\$ 8.73</b>	<b>4.18</b>	<b>\$ 1,960</b>

As of December 31, 2024, there was \$3.2 million of unrecognized compensation expense related to stock options which will be recognized over the remaining weighted-average period of 0.9 years. No stock options were granted during 2024.

The determination of the fair value of stock options assumed or granted by Adtran was estimated using the Monte Carlo method and is affected by its stock price, as well as assumptions regarding a number of complex and subjective variables that may have a significant impact on the fair value estimate. The stock option pricing model requires the use of several assumptions that impact the fair value estimate. These variables include, but are not limited to, the volatility of the Company's stock price and employee exercise behaviors.

All of the options were previously issued at exercise prices that approximated fair market value at the date of grant.

The aggregate intrinsic value of stock options represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the quarter and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2024. The amount of aggregate intrinsic value was \$3.8 million as of December 31, 2024, which will change based on the fair market value of the Company's stock. The total pre-tax intrinsic value of options exercised during the years ended December 31, 2024 and 2023 was \$0.3 million and \$0.1 million, respectively.

The following table further describes our stock options outstanding as of December 31, 2024:

Range of Exercise Prices (Per Share)	Options Outstanding			Options Exercisable	
	Options Outstanding at December 31, 2024 (In thousands)	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price (Per Share)	Options Exercisable at December 31, 2024 (In thousands)	Weighted Average Exercise Price
\$5.23 – \$5.23	1,131	8.87	\$ 5.23	550	\$ 5.23
\$5.24 – \$8.58	431	1.85	\$ 7.86	431	\$ 7.86
\$8.59 – \$12.17	696	2.81	\$ 11.57	155	\$ 9.49
\$12.18 – \$15.33	378	1.23	\$ 15.33	329	\$ 15.33
\$15.34 – \$19.08	308	4.37	\$ 19.08	—	\$ —
	<b>2,944</b>			<b>1,465</b>	

The Black-Scholes option pricing model (the “Black-Scholes Model”) is used to determine the estimated fair value of stock option awards on the date of grant. The Black-Scholes Model requires the input of certain assumptions that involve judgment. Because our stock options have characteristics significantly different from those of traded options, and because changes in the input assumptions can materially affect the fair value estimate, existing models may not provide reliable measures of fair value of our stock options. The stock

option pricing model requires the use of several assumptions that impact the fair value estimate. These variables include, but are not limited to, the volatility of our stock price and employee exercise behaviors.

The stock option pricing model requires the use of several assumptions that impact the fair value estimate. These variables include, but are not limited to, the volatility of our stock price and employee exercise behaviors.

The weighted-average estimated fair value of stock options granted to employees during the years ended December 31, 2023 was \$2.99 per share with the following weighted-average assumptions:

	2023
Expected volatility	\$ 51.78%
Risk-free interest rate	4.13%
Expected dividend yield	—
Expected life (in years)	5.8%

#### Note 4 – Investments

##### *Debt Securities and Other Investments*

The Company did not have any debt securities and other investments as of December 31, 2024.

Realized gains and losses on sales of securities are computed under the specific identification method. The following table presents gross realized gains and losses related to our debt securities for the years ended December 31, 2024, 2023 and 2022:

(In thousands)	For the year ended December 31,		
	2024	2023	2022
Gross realized gains on debt securities	\$ —	\$ 9	\$ 17
Gross realized losses on debt securities	—	(355)	(1,211)
<b>Total (loss) gain recognized, net</b>	<b>\$ —</b>	<b>\$ (346)</b>	<b>\$ (1,194)</b>

The Company's investment policy provides limitations for issuer concentration, which limits, at the time of purchase, the concentration in any one issuer to 5% of the market value of the total investment portfolio. The Company did not purchase any available-for-sale debt with credit deterioration during the years ended December 31, 2024, 2023 and 2022.

##### *Marketable Equity Securities*

Marketable equity securities consist of publicly traded stock, funds and certain other investments measured at fair value or cost, where appropriate.

Realized and unrealized gains and losses for our marketable equity securities for the year ended December 31, 2024, 2023 and 2022 were as follows:

(In thousands)	For the year ended December 31,		
	2024	2023	2022
Realized gains (losses) on equity securities sold	\$ 277	\$ 17	\$ (1,675)
Unrealized gains (losses) on equity securities held	3,310	3,083	(8,470)
<b>Total gain (loss) recognized, net</b>	<b>\$ 3,587</b>	<b>\$ 3,100</b>	<b>\$ (10,145)</b>

As of December 31, 2024, gross unrealized losses related to individual investments in a continuous loss position for twelve months or longer were not material.

U.S. GAAP establishes a three-level valuation hierarchy based upon observable and unobservable inputs for fair value measurement of financial instruments:

- Level 1 – Observable outputs; values based on unadjusted quoted prices for identical assets or liabilities in an active market;
- Level 2 – Significant inputs that are observable; values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly;
- Level 3 – Significant unobservable inputs; values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement; inputs could include information supplied by investees.



The Company's cash equivalents and investments held at fair value are categorized into this hierarchy as follows:

Fair Value Measurements as of December 31, 2024 Using				
		Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In thousands)</i>	<b>Fair Value</b>			
<b>Cash equivalents</b>				
Money market funds	\$ 5,538	\$ 5,538	\$ —	\$ —
<b>Marketable equity securities</b>				
Marketable equity securities - various industries	1,068	1,068	—	—
Deferred compensation plan assets	30,991	30,991	—	—
<b>Total</b>	<b>\$ 37,597</b>	<b>\$ 37,597</b>	<b>\$ —</b>	<b>\$ —</b>

Fair Value Measurements as of December 31, 2023 Using				
		Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In thousands)</i>	<b>Fair Value</b>			
<b>Cash equivalents</b>				
Money market funds	\$ 5,302	\$ 5,302	\$ —	\$ —
<b>Marketable equity securities</b>				
Marketable equity securities - various industries	905	905	—	—
Deferred compensation plan assets	26,838	26,838	—	—
<b>Total</b>	<b>\$ 33,045</b>	<b>\$ 33,045</b>	<b>\$ —</b>	<b>\$ —</b>

Market prices are obtained from a variety of industry standard data providers, large financial institutions and other third-party sources. These multiple market prices are used as inputs into a distribution-curve-based algorithm to determine the daily market value of each security.

#### Note 5 – Inventory

As of December 31, 2024 and 2023, inventory, net was comprised of the following:

<i>(In thousands)</i>	2024	2023
Raw materials	\$ 107,369	\$ 152,140
Work in process	9,724	17,239
Finished goods	152,244	192,916
<b>Total Inventory, net</b>	<b>\$ 269,337</b>	<b>\$ 362,295</b>

Inventory reserves are established for estimated excess and obsolete inventory equal to the difference between the cost of the inventory and the estimated net realizable value of the inventory based on estimated reserve percentages, which consider historical usage, known trends, inventory age and market conditions.

During the twelve months ended December 31, 2024, the Company recorded an inventory write-down of \$8.6 million, as a result of a strategy shift which included discontinuance of certain product lines in connection with the Business Efficiency Program of which \$4.1 million relates to inventory write-downs and \$4.5 million relates to other charges all of which are included in cost of revenue in the Consolidated Statements of Loss. In connection with the Company's restructuring efforts, during the twelve months ended December 31, 2023, management determined that there would be a discontinuation of product lines in the Network solutions segment and, as a result, wrote-down related inventories of \$24.3 million, which is included in cost of revenue in the Consolidated Statements of Loss.

## Note 6 – Property, Plant and Equipment

As of December 31, 2024 and 2023, property, plant and equipment, net was comprised of the following:

<i>(In thousands)</i>	2024	2023
Engineering and other equipment	\$ 184,694	\$ 183,336
Building	50,871	79,215
Computer hardware and software	109,729	91,752
Building and land improvements	39,979	58,238
Furniture and fixtures	20,994	21,368
Land	2,989	5,242
<b>Total Property, Plant and Equipment</b>	<b>409,256</b>	<b>439,151</b>
Less: accumulated depreciation	(306,314)	(325,569)
<b>Total Property, Plant and Equipment, net</b>	<b>\$ 102,942</b>	<b>\$ 113,582</b>

Long-lived assets used in operations are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and the undiscounted cash flows estimated to be generated by the asset are less than the asset's carrying value. In connection with the planned integration of information technology following the Business Combination, we determined that certain projects no longer fit our needs or strategic plan. As a result, the Company recognized impairment charges of \$0.5 million during the year ended December 31, 2022 related to software and web site development. The impairment charges were determined based on actual costs incurred. During the years ended December 31, 2024 and 2023, no impairment charges were recognized.

Depreciation expense was \$27.7 million, \$30.2 million and \$20.9 million for the years ended December 31, 2024, 2023 and 2022, respectively, which is recorded in cost of revenue, selling, general and administrative expenses and research and development expenses in the Consolidated Statements of Loss.

### *Assets Held For Sale*

On December 31, 2024, the Company determined it met the held for sale criteria pursuant to ASC 360, "Impairment and Disposal of Long-Live Assets" on the Company's property located at the North and South Towers in its Huntsville, Alabama campus and ceased recording depreciation on the assets. The Company expects to dispose of the property within the next twelve months.

The Company records assets held for sale at the lower of their carrying value or fair value. The total carrying value of assets held for sale was \$11.9 million as of December 31, 2024 and is separately recorded on the balance sheet.

## Note 7 – Leases

We have operating leases for office space, automobiles and various other equipment in the U.S. and in certain international locations. As of December 31, 2024, our operating leases had remaining lease terms of 1 month to 167 months, some of which included options to extend the leases for up to one year, and some of which included options to terminate the leases within three months. Supplemental balance sheet information related to operating leases is as follows:

<i>(In thousands)</i>	Classification	December 31, 2024	December 31, 2023
<b>Assets</b>			
Operating lease assets	Other non-current assets	\$ 30,342	\$ 37,474
<b>Total lease asset</b>		<b>\$ 30,342</b>	<b>\$ 37,474</b>
<b>Liabilities</b>			
Current operating lease liability	Accrued expenses and other liabilities	\$ 7,154	\$ 7,720
Non-current lease obligations	Non-current lease obligations	25,925	31,420
<b>Total lease liability</b>		<b>\$ 33,079</b>	<b>\$ 39,140</b>

Lease expense related to short-term leases was less than \$0.2 million for the twelve months ended December 31, 2024 and \$0.1 million for the twelve months ended December 31, 2023 and 2022, and is included in cost of revenue, selling, general and administrative expenses and research and development expenses in the Consolidated Statements of Loss. Lease expense related to variable lease payments that do not depend on an index or rate, such as real estate taxes and insurance reimbursements, was \$0.3 million, \$0.7 million and \$0.6 million for the twelve months ended December 31, 2024, 2023 and 2022, respectively.

The components of lease expense included in the Consolidated Statements of Loss were as follows:

(In thousands)	For the Year Ended December 31,		
	2024	2023	2022
Cost of revenue	\$ 150	\$ 163	\$ 110
Research and development expenses	412	990	942
Selling, general and administrative expenses	9,213	9,708	3,961
<b>Total operating lease expense</b>	<b>\$ 9,775</b>	<b>\$ 10,861</b>	<b>\$ 5,013</b>

As of December 31, 2024, operating lease liabilities included on the Consolidated Balance Sheet by future maturity were as follows:

(In thousands)	Amount
2025	8,829
2026	7,550
2027	6,498
2028	4,980
2029	2,925
Thereafter	10,281
<b>Total lease payments</b>	<b>41,063</b>
Less: Interest	(7,984)
<b>Present value of lease liabilities</b>	<b>\$ 33,079</b>

Future operating lease payments include \$5.3 million related to options to extend lease terms that are reasonably certain of being exercised. There are no legally binding leases that have not yet commenced.

An incremental borrowing rate is used based on information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is determined on a portfolio basis by grouping leases with similar terms, as well as grouping leases based on a U.S. dollar or euro functional currency. The following table provides information about our weighted average lease terms and weighted average discount rates:

Weighted average remaining lease term (years)	As of December 31,	
	2024	2023
Operating leases with USD functional currency	7.3	8.1
Operating leases with EUR functional currency	5.9	5.8
<b>Weighted average discount rate</b>		
Operating leases with USD functional currency	3.64%	3.70%
Operating leases with EUR functional currency	4.50%	3.92%

## Note 8 – Goodwill

The changes in the carrying amount of goodwill for the year ended December 31, 2024 are as follows:

(In thousands)	Network Solutions	Services & Support	Total
<b>As of December 31, 2023</b>	<b>\$ 297,031</b>	<b>\$ 56,384</b>	<b>\$ 353,415</b>
Goodwill impairment	(290,528)	—	(290,528)
Foreign currency translation adjustments	(6,503)	(3,466)	(9,969)
<b>As of December 31, 2024</b>	<b>\$ —</b>	<b>\$ 52,918</b>	<b>\$ 52,918</b>

The Company's annual impairment test date is October 1, 2024. Based on our analysis, management concluded that there was no impairment of goodwill as of that date. Between the annual impairment date of October 1, 2024 and year-end December 31, 2024, there were no additional triggering events.

During the first quarter of 2024, qualitative factors such as a decrease in the Company's market capitalization, lower service provider spending and delayed holding patterns of inventory with respect to customers caused us to reduce our forecasts, triggering a quantitative impairment assessment for our reporting units. The Company determined the fair value of each reporting unit using a combination of an income approach and a market approach. The significant inputs and assumptions used in the determination of the fair value of our reporting units, based on future cash flows for the reporting units, requires significant judgment and the use of estimates and assumptions related to revenue growth rates, earnings before interest, taxes, depreciation and amortization ("EBITDA") margins, discount rate, peer group determination, revenue and EBITDA market multiple. The Company determined upon its quantitative impairment assessment to recognize a \$292.6 million non-cash goodwill impairment charge for the Network Solutions reporting unit. The quantitative impairment analysis indicated there was no impairment of the Services & Support goodwill during the first quarter of 2024.

During 2023, the Company experienced decreased market capitalization and long-term projections. Therefore, an interim impairment test over goodwill was performed as of September 30, 2023. The Company determined the fair value of each reporting unit using a combination of an income approach and a market approach. Management's determination of the fair value of our reporting units, based on future cash flows for the reporting units, requires significant judgment and the use of estimates and assumptions related to cash flow projections, discount rate, peer group determination and market multiple selection. It was determined that the decreases in projected future cash flows, discount rates, overall macroeconomic conditions, as well as the decrease in our market capitalization applied in the valuation, were required to align with market-based assumptions and company-specific risk, which resulted in lower fair values of the Services & Support reporting unit. As a result of the interim assessment, the Company recorded a goodwill impairment charge of \$37.9 million as its estimated fair value was less than its book value on that date. No other goodwill impairment charges were recorded during 2023.

As of December 31, 2024, accumulated goodwill impairment losses in total were \$330.5 million.

#### Note 9 – Intangible Assets

Intangible assets as of December 31, 2024 and 2023, consisted of the following:

	Weighted Average Useful Life (in years)	2024			2023		
		Gross Value	Accumulated Amortization	Net Value	Gross Value	Accumulated Amortization	Net Value
<i>(In thousands)</i>							
Customer relationships	11.0	\$ 51,165	\$ (18,778)	\$ 32,387	\$ 54,856	\$ (15,943)	\$ 38,913
Backlog	1.7	53,839	(52,258)	1,581	57,391	(52,022)	5,369
Developed technology	7.9	346,923	(99,588)	247,335	339,189	(61,653)	277,536
Licensed technology	9.0	5,900	(4,452)	1,448	5,900	(3,797)	2,103
Licensing agreements	8.5	560	(407)	153	560	(368)	192
Patents	7.3	—	—	—	500	(500)	—
Trade names	3.0	27,851	(25,862)	1,989	29,689	(16,379)	13,310
<b>Total</b>		<b>\$ 486,238</b>	<b>\$ (201,345)</b>	<b>\$ 284,893</b>	<b>\$ 488,085</b>	<b>\$ (150,662)</b>	<b>\$ 337,423</b>

Intangible assets are reviewed for impairment whenever events and circumstances indicate impairment may have occurred. During the first quarter of 2024, qualitative factors such as a decrease in the Company's market capitalization, cautious service provider spending due to economic uncertainty and continued customer inventory adjustments triggered a quantitative reassessment of our estimated future undiscounted cash flows for the Network Solutions asset group. The significant inputs and assumptions used in the determination of the cash flows expected to be generated by the asset group, requires significant judgment and the use of estimates and assumptions related to revenue growth rates, EBITDA margins, peer group determination, and disposition exit multiple. The Company determined that our estimated future undiscounted cash flows exceeded the carrying value of our asset groups. No impairment losses of intangible assets were recorded during the years ended December 31, 2024, 2023 and 2022.

Amortization expense was \$63.0 million, \$82.8 million and \$47.3 million for the years ended December 31, 2024, 2023 and 2022, respectively, and was included in cost of revenue, selling, general and administrative expenses and research and development expenses in the Consolidated Statements of Loss.

As of December 31, 2024, estimated future amortization expense of intangible assets was as follows:

<i>(In thousands)</i>	As of December 31, 2024
2025	\$ 56,268
2026	53,231
2027	47,585
2028	40,374
2029	40,028
Thereafter	47,407
<b>Total</b>	<b>\$ 284,893</b>

#### **Note 10 - Hedging**

The Company has certain forward rate agreements to hedge foreign currency exposure of expected future cash flows in foreign currency. The Company does not hold or issue derivative instruments for trading or other speculative purposes. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. All changes in the fair value of derivative instruments are recognized as other income, net in the Consolidated Statements of Loss. The derivative instruments are not subject to master netting agreements and are not offset in the Consolidated Balance Sheets. We are exposed to risk from credit-related losses resulting from nonperformance by counterparties to our financial instruments. We perform credit evaluations of our counterparties under forward exchange contracts and expect all counterparties to meet their obligations. We have not experienced credit losses from our counterparties.

As of December 31, 2024, the Company had 39 forward rate contracts outstanding.

##### *Foreign Currency Hedging Agreement*

On November 3, 2022, the Company entered into a euro/U.S. dollar forward contract arrangement (the "Initial Forward") with Wells Fargo Bank, N.A. (the "Hedge Counterparty"). The Initial Forward, which was governed by the provisions of an ISDA Master Agreement (including schedules thereto and transaction confirmations that supplement such agreement) entered into between the Company and the Hedge Counterparty, enabling the Company to convert a portion of its euro denominated payment obligations under the proposed DPLTA into U.S. Dollars. Under the Initial Forward, the Company agreed to exchange an aggregate notional amount of €160.0 million for U.S. dollars at a daily fixed forward rate ranging from EUR/USD 0.98286 to 1.03290. The aggregate amount of €160.0 million was divided into eight quarterly tranches of €20.0 million, which commenced in the fourth quarter of 2022. During the twelve months ended December 31, 2024, the Company settled four €20.0 million forward contract tranches.

On March 21, 2023, the Company entered into a euro/U.S. dollar forward contract arrangement (the "Forward") with the Hedge Counterparty. Under the Forward, which was governed by the provisions of an ISDA Master Agreement (including schedules thereto and transaction confirmations that supplement such agreement) entered into between the Company and the Hedge Counterparty, the Company exchanged an aggregate notional amount of €160.0 million for U.S. dollars at an average rate of EUR/USD 1.085. During the twelve months ended December 31, 2024, the Company settled four \$20.0 million forward contract tranches. As of December 31, 2024, both the Initial Forward and Forward have fully matured and are no longer outstanding.

The fair values of the Company's derivative instruments recorded in the Consolidated Balance Sheet as of December 31, 2024 were as follows:

<i>(In thousands)</i>	Balance Sheet Location	December 31, 2024	December 31, 2023
Derivatives Not Designated as Hedging Instruments (Level 2):			
Foreign exchange contracts – derivative assets	Other receivables	\$ 565	\$ 7,125
Foreign exchange contracts – derivative liabilities	Accounts payable	\$ —	\$ (2,277)
<b>Total derivatives</b>		<b>\$ 565</b>	<b>\$ 4,848</b>

The change in the fair values of the Company's derivative instruments recorded in the Consolidated Statements of Loss during the years ended December 31, 2024, 2023 and 2022 were as follows:

<i>(In thousands)</i>	Income Statement Location	2024	2023	2022
Derivatives Not Designated as Hedging Instruments:				
Foreign exchange contracts	Other income, net	\$ 2,197	\$ 758	\$ 10,793

## Note 11 – Credit Agreements

The carrying amounts of the Company's revolving credit agreements in its Consolidated Balance Sheets were as follows:

<i>(In thousands)</i>	As of December 31,	
	2024	2023
Wells Fargo credit agreement	\$ 189,576	\$ 195,000
<b>Total non-current revolving credit facility</b>	<b>\$ 189,576</b>	<b>\$ 195,000</b>

As of December 31, 2024 and 2023, the estimated fair value of our revolving credit agreements, approximates the carrying value. As of December 31, 2024 and 2023, the weighted average interest rate on our revolving credit agreements was 8.64% and 7.45%, respectively.

### Wells Fargo Credit Agreement

On July 18, 2022, ADTRAN, Inc., as the borrower ("U.S. Borrower"), and the Company entered into a credit agreement with a syndicate of banks, including Wells Fargo Bank, National Association, as administrative agent ("Administrative Agent"), and the other lenders named therein (as amended from time to time, the "Credit Agreement"). Initially, the Credit Agreement allowed for revolving credit borrowings of up to \$400.0 million in aggregate principal amount (\$100.0 million of which is, subject to the covenants described below, available to Adtran Networks as borrower pursuant to the Subline (as defined and further described below). As of December 31, 2024, the aggregate principal amount was reduced to \$374.0 million (\$74.0 million of which is available to Adtran Networks as borrower pursuant to the Subline) due to a \$26.0 million reduction on the Subline.

On August 9, 2023, ("First Amendment Effective Date") the Company and ADTRAN, Inc. entered into a First Amendment to Credit Agreement ("First Amendment").

The First Amendment, among other things, increased the available funding from \$100.0 million to \$400.0 million. In addition, a new \$50.0 million delayed draw term loan facility ("DDTL") was introduced, which (subject to certain conditions) was available for borrowing in the event that at least sixty percent (60.0%) of the outstanding shares of Adtran Networks that were not owned by the Company and its subsidiaries as of the First Amendment Effective Date was tendered (such event, a "Springing Covenant Event"). Upon the occurrence of a Springing Covenant Event, the Company will enter a "Springing Covenant Period", defined as the fiscal quarter in which a Springing Covenant Event occurs and the three (3) consecutive fiscal quarters thereafter. During the Springing Covenant Period, the Company's leverage ratios are increased. Although the ability to borrow under the DDTL expired on August 9, 2024, the Springing Covenant Event and Springing Covenant Period remain in effect.

The First Amendment further added additional financial flexibility by permitting, subject to certain requirements, the incurrence of convertible indebtedness by the Company in an aggregate principal amount of up to \$172.5 million. Any such convertible indebtedness must, among other things, be incurred in pro forma compliance with the financial covenants in the Credit Agreement, be unsecured, and otherwise rank junior to borrowings under the Credit Agreement, and have a stated maturity date of at least 91 days after the latest scheduled maturity date of loans and commitments under the Credit Agreement. Net cash proceeds from any incurrence of convertible indebtedness must be used to repurchase minority shares of Adtran Networks or repay revolver borrowings under the Credit Agreement.

On January 16, 2024 ("Second Amendment Effective Date"), the Company and ADTRAN, Inc. entered into a Second Amendment to Credit Agreement and First Amendment to Collateral Agreement ("Second Amendment"). The Second Amendment, among other things, introduced the Covenant Relief Period, which provided the Company with additional covenant headroom while imposing a minimum liquidity financial covenant from the end of the fourth quarter of 2023 to the end of the third quarter of 2024. The Covenant Relief Period ended on November 7, 2024.

On March 12, 2024, the Company and ADTRAN, Inc. entered into a Third Amendment to Credit Agreement ("Third Amendment"). The Third Amendment, among other things, amended the definition of "Consolidated Funded Indebtedness" (which is used in the calculation of the Consolidated Total Net Leverage Ratio and the Consolidated Senior Secured Net Leverage Ratio) to exclude obligations of the Company and its subsidiaries under certain factoring arrangements when calculated for the fiscal quarters ending March 31, 2024, and June 30, 2024.

On June 4, 2024, the Company, ADTRAN, Inc., and Adtran Networks entered into a Fourth Amendment to Credit Agreement ("Fourth Amendment"). The Fourth Amendment, among other things, created a new sublimit under the existing \$400.0 million revolving commitments, in an aggregate amount of \$100.0 million ("Subline"), which Subline is available for borrowings by Adtran Networks. Prepayments of outstanding loans under the Subline that result in the remaining outstanding loans under the Subline being less than the German Commitment Reduction Threshold will result in a permanent partial reduction of the commitments in respect of the Subline. The German Commitment Reduction Threshold is initially \$75.0 million and may be lowered from time to time pursuant to the terms of the Fourth Amendment. The existing swing line sublimit and letter of credit sublimit under the Credit Agreement remained available to the US Borrower (and not to Adtran Networks) after giving effect to the Fourth Amendment. Otherwise, the loans under the Subline are subject to substantially the same terms and conditions under the Credit Agreement (including with respect to the interest rate and maturity date) as the other existing revolving commitments.

As of December 31, 2024, Adtran's borrowings under the revolving line of credit were \$189.6 million, of which approximately \$141.0 million were borrowed by ADTRAN, Inc. and \$48.6 million were borrowed under the Subline by Adtran Networks. The credit facilities provided under the Credit Agreement mature in July 2027, but the U.S. Borrower may request extensions subject to customary conditions. In addition, the U.S. Borrower may utilize up to \$50.0 million of the \$374.0 million total revolving facility for the issuance of letters of credit. As of December 31, 2024, we had a total of 3.6 million in letters of credit under ADTRAN, Inc. outstanding under the Credit Agreement, leaving a net amount (after giving effect to the \$189.6 million of outstanding borrowings described above) of \$180.8 million available for future borrowings; however, as of December 31, 2024, the Company was limited to additional borrowings of \$56.1 million based on debt covenant compliance metrics. Any future credit extensions under the Credit Agreement are subject to customary conditions precedent. The proceeds of any loans are expected to be used for general corporate purposes and to pay a portion of the Exchange Offer consideration. As of December 31, 2024, the Company was in compliance with all covenants.

#### *Revolving Line of Credit Interest Rate*

All U.S. dollar borrowings under the revolving line of credit (other than swingline loans, which bear interest at the Base Rate (as defined below plus the applicable margin) bear interest, at the Company's option, at a rate per annum equal to either (A) the Base Rate plus an applicable margin ranging from 0.65% to 1.65% per annum based on the Company's Consolidated Total Net Leverage Ratio (or, during the Covenant Relief Period, an applicable margin of 2.15% per annum), or (B) Adjusted Term SOFR (as defined below) plus an applicable margin ranging from 1.65% to 2.65% per annum based on the Company's Consolidated Total Net Leverage Ratio (or, during the Covenant Relief Period, an applicable margin of 3.15% per annum).

"Base Rate" means the highest of (a) the federal funds rate (i.e., for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the business day next succeeding such day) plus  $\frac{1}{2}$  of 1.0%, (b) the prime commercial lending rate of the Administrative Agent, as established from time to time at its principal U.S. office (which such rate is an index or base rate and will not necessarily be its lowest or best rate charged to its customers or other banks), and (c) the daily Adjusted Term SOFR (as defined in the Credit Agreement) for a one-month tenor plus 1.0%. The Base Rate is subject to a floor of 1.00% per annum.

"Adjusted Term SOFR" means Term SOFR for the applicable interest period *plus* 0.10% per annum. Adjusted Term SOFR is subject to a floor of 0.00% per annum.

All euro borrowings under the revolving line of credit bear interest at a rate per annum equal to EURIBOR (as defined in the Credit Agreement and subject to a 0.00% per annum floor) plus an applicable margin ranging from 1.75% to 2.75% per annum based on the Company's Consolidated Total Net Leverage Ratio (or, during the Applicable Margin Increase Period, an applicable margin of 3.25% per annum).

In addition, if on or prior to December 31, 2024 we have not reduced the aggregate revolving credit commitment to \$340.0 million or less, the applicable margin for all loans shall be increased by 1.00% per annum, and if on or prior to June 30, 2025 we have not reduced the aggregate revolving credit commitment to \$300.0 million or less, the applicable margin for all loans shall be increased by 1.00% per annum.



In addition to paying interest on outstanding principal under the Credit Agreement, the Company is required to pay a quarterly commitment fee to the lenders under the Credit Agreement in respect of unutilized revolving loan commitments on the average daily unused portion of the revolving credit commitment of each lender, which commitment fee ranges from 0.20% to 0.25% per annum based on the Company's Consolidated Total Net Leverage Ratio (or, during the Covenant Relief Period, is equal to 0.25% per annum). The Company is also required to pay a participation fee to the Administrative Agent for the account of each lender with respect to the Company's participation in letters of credit at the then applicable rate for Adjusted Term SOFR Loans or EURIBOR Loans, and other customary fronting, issuance and administration fees with respect to letters of credit.

The "Applicable Margin Increase Period" means the period commencing on the Second Amendment Effective Date and ending on the first date when each of the following conditions have been met: (a) the Covenant Relief Period has ended, (b) since the Second Amendment Effective Date, the borrowers have repaid the revolving credit outstanding borrowings by a principal amount of at least \$75.0 million, (c) the borrowers have reduced the aggregate revolving credit commitment to an amount no greater than \$300.0 million, and (d) the borrowers are in compliance with all financial covenants based on the financial statements for the most recently completed reference period.

Default interest is 2.0% per annum in excess of the rate otherwise applicable.

#### *Covenants Under the Credit Agreement*

The financial covenants under the Credit Agreement, as amended, include the following (capitalized terms used in this subsection and not otherwise defined herein have the meanings assigned to them in the Credit Agreement or its amendments, as applicable):

- As of the last day of any fiscal quarter, commencing with the fiscal quarter ended December 31, 2023, the Consolidated Total Net Leverage Ratio may not exceed 5.00x.
- As of the last day of any fiscal quarter, commencing with the fiscal quarter ended December 31, 2023, the Consolidated Senior Secured Net Leverage Ratio may not exceed:
  - In the fiscal quarter in which a Springing Covenant Event occurs and the three consecutive quarterly test periods thereafter, ("Springing Covenant Period"), the following covenant levels:
    - First fiscal quarter ending after a Springing Covenant Event: 4.00x
    - Second fiscal quarter ending after a Springing Covenant Event: 3.75x
    - Third and fourth fiscal quarters ending after a Springing Covenant Event: 3.50x
- If the Company or any of its subsidiaries incurs certain unsecured indebtedness in excess of \$50.0 million in connection with a transaction that is a Springing Covenant Event or during a Springing Covenant Period, the Consolidated Senior Secured Net Leverage Ratio covenant will step down to 3.50x at the time of such incurrence.
- If a Springing Covenant Period is not in effect, the Consolidated Senior Secured Net Leverage Ratio may not exceed 3.25x.
- As of the last day of any fiscal quarter, commencing with the fiscal quarter ended December 31, 2023, the Consolidated Fixed Charge Coverage Ratio may not be less than 1.25x.
- During a Springing Covenant Period, as of the last day of any fiscal quarter (i) cash and cash equivalents of the Credit Parties must be at least \$50.0 million and (ii) cash and cash equivalents of the Company and its subsidiaries must be at least \$70.0 million.

All obligations under the Credit Agreement (including under the Subline) are guaranteed by ADTRAN, Inc., and certain subsidiaries of ADTRAN, Inc. ("Full Facility Guarantors"). To secure such guarantees, ADTRAN, Inc. and the Full Facility Guarantors have granted security interests in favor of the Administrative Agent over substantially all of their tangible and intangible assets, and ADTRAN, Inc. has granted mortgages in favor of the Administrative Agent over certain owned real estate assets. Certain of Adtran Networks' subsidiaries ("Subline Guarantors") have provided a guarantee solely of the obligations in respect of the Subline. Furthermore, to secure such guarantees, the Subline Guarantors have granted security interests in favor of the Administrative Agent over substantially all of their tangible and intangible assets. Adtran Networks has also granted security interests in favor of the Administrative Agent over substantially all of its tangible and intangible assets, to secure solely its obligations under the Subline. Upon repayment in full and termination of the Subline, the guarantees by the Subline Guarantors and the liens granted by Adtran Networks and the Subline Guarantors to secure obligations under the Subline will be released.



The Credit Agreement, as amended, contains customary affirmative and negative covenants, including incurrence covenants and certain other limitations on the ability of the Company and the Company's subsidiaries to incur additional debt, guarantee other obligations, grant liens on assets, make investments, dispose of assets, make restricted payments, engage in mergers or consolidations, engage in transactions with affiliates, modify its organizational documents, and enter into certain restrictive agreements. The negative covenants are subject to various exceptions and carveouts. It also contains customary events of default, such as misrepresentation and a default in the performance or observance of any covenant (subject to customary cure periods and materiality thresholds). Upon the occurrence and during the continuance of an event of default, the Administrative Agent is entitled to take various actions, including the acceleration of all amounts due under the Credit Agreement.

## Note 12 – Income Taxes

The components of income tax expense (benefit) for the years ended December 31, 2024, 2023 and 2022 are as follows:

<i>(In thousands)</i>	2024	2023	2022
<b>Current</b>			
Federal	\$ (1,456)	\$ 2,545	\$ 4,572
State	575	26	88
International	7,419	10,004	(4,347)
<b>Total Current</b>	<b>6,538</b>	<b>12,575</b>	<b>313</b>
<b>Deferred</b>			
Federal	332	46,252	(47,429)
State	(405)	6,607	(6,776)
International	2,320	(37,301)	(8,183)
<b>Total Deferred</b>	<b>2,247</b>	<b>15,558</b>	<b>(62,388)</b>
<b>Total Income Tax Expense (Benefit)</b>	<b>\$ 8,785</b>	<b>\$ 28,133</b>	<b>\$ (62,075)</b>

The effective income tax rate differs from the federal statutory rate due to the following:

	2024	2023	2022
Tax provision computed at the federal statutory rate	21.00%	21.00%	21.00%
State income tax provision, net of federal benefit	0.06	1.34	2.60
Federal research credits	0.68	3.26	6.74
Foreign taxes	0.50	3.52	6.29
Tax-exempt income	0.04	0.06	0.21
Change in valuation allowance	(5.88)	(35.19)	63.92
Non-deductible transaction costs	—	—	(2.74)
Foreign tax credits	0.86	2.45	(0.40)
Stock-based compensation	(0.40)	(0.57)	(2.09)
Withholding taxes	(0.08)	0.01	0.03
Adtran Networks tax exempt income	—	1.42	—
Return to accrual	(0.50)	0.62	0.24
Global intangible low-taxed income ("GILTI")	(3.14)	(5.87)	(8.08)
Adtran Networks Goodwill Impairment	(14.17)	(4.62)	—
Other, net	(1.00)	0.40	(0.24)
<b>Effective Tax Rate</b>	<b>(2.03)%</b>	<b>(12.17)%</b>	<b>87.48%</b>

Loss before expense (benefit) for income taxes for the years ended December 31, 2024, 2023 and 2022 is as follows:

<i>(In thousands)</i>	2024	2023	2022
U.S. entities	\$ (71,684)	\$ (113,951)	\$ (33,720)
International entities	(360,579)	(117,259)	(37,243)
<b>Total</b>	<b>\$ (432,263)</b>	<b>\$ (231,210)</b>	<b>\$ (70,963)</b>

Loss before expense (benefit) for income taxes for international entities reflects loss based on statutory transfer pricing agreements. This amount does not correlate to consolidated international revenue, which occurs from our U.S. entity.

Deferred income taxes on the Consolidated Balance Sheets result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The significant components of current and non-current deferred taxes as of December 31, 2024 and 2023 consist of the following:

<i>(In thousands)</i>	2024	2023
<b>Deferred tax assets:</b>		
Inventory	\$ 14,121	\$ 19,623
Accrued expenses	845	3,533
Deferred compensation	7,093	6,284
Stock-based compensation	1,770	2,023
Uncertain tax positions related to state taxes and related interest	105	105
Pensions	5,121	8,607
Foreign losses	70,666	2,705
State losses and credit carry-forwards	4,901	4,259
Federal loss and research carry-forwards	20,874	78,450
Lease liabilities	6,153	7,701
Capitalized research and development expenditures	43,574	48,192
Interest expense limitation	6,815	—
Valuation allowance	(110,960)	(86,567)
<b>Total Deferred Tax Assets</b>	<b>71,078</b>	<b>94,915</b>
<b>Deferred tax liabilities:</b>		
Property, plant and equipment	(8,368)	(9,093)
Intellectual property	(67,923)	(86,572)
Right of use lease assets	(6,175)	(8,424)
Investments	(1,476)	(694)
<b>Total Deferred Tax Liabilities</b>	<b>(83,942)</b>	<b>(104,783)</b>
<b>Net Deferred Tax Liabilities</b>	<b>\$ (12,864)</b>	<b>\$ (9,868)</b>

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law. Subsequently, the Internal Revenue Service (“IRS”) released its final GILTI regulations on July 9, 2020. The passage of the CARES Act and subsequent issuance of the GILTI final regulations together resulted in the Company’s recognition of a tax benefit in the amount of \$10.8 million during 2020, \$7.9 million of which related to the utilization of deferred tax assets which had previously been offset with a valuation allowance and \$2.9 million primarily related to the tax rate differential on carrying back losses from 2018 and 2019 tax years to prior years in which the U.S. Corporate tax rate was 35% versus the current 21% federal tax rate.

On December 20, 2021, the Organization for Economic Co-operation and Development (“OECD”) published Pillar Two Model Rules defining the global minimum tax, which calls for the taxation of large corporations at a minimum rate of 15%. The OECD has since issued administrative guidance providing transition and safe harbor rules around the implementation of the Pillar Two global minimum tax. Many non-U.S. tax jurisdictions have either recently enacted legislation to adopt certain components of the Pillar Two Model Rules beginning in 2024 (including the European Union Member States) with the adoption of additional components in later years or announced their plans to enact legislation in future years. The Pillar Two Model Rules did not have a material impact on the Company’s financial statements for the 2024 tax year. We are still closely monitoring developments and evaluating the potential impact on future periods.

On August 16, 2022, the Inflation Reduction Act of 2022 (“Inflation Reduction Act”) was signed into law, with tax provisions primarily focused on implementing a 15% minimum tax on global adjusted financial statement income (“AFSI”) for corporations with average AFSI exceeding \$1 billion over a three-year period, a 1% excise tax on share repurchases and various climate and clean energy tax incentives. The Inflation Reduction Act did not have a material impact on the Company’s financial statements for the 2024 tax year.

As of December 31, 2024 and 2023, non-current deferred taxes reflected deferred taxes on net unrealized gains and losses on available-for-sale investments and deferred taxes on unrealized losses in our pension plan. The net change in non-current deferred taxes associated with these items, which resulted in a deferred tax benefit of \$0.2 million and \$0.3 million in 2024 and 2023, respectively, was recorded as an adjustment to other comprehensive (loss) income, presented in the Consolidated Statements of Comprehensive (Loss) Income.

The Company continually reviews the adequacy of our valuation allowance and recognizes the benefits of deferred tax assets only as the reassessment indicates that it is more likely than not that the deferred tax assets will be realized in accordance with ASC 740, *Income Taxes*. Due to the decrease in revenue and profitability for 2023 and 2024 and all other positive and negative objective evidence considered as part of our analysis, our ability to consider other subjective evidence such as projections for future growth continues to be limited when evaluating whether our deferred tax assets will be realized. As such, the Company maintains its conclusion from 2023 that it is not more likely than not that our domestic deferred tax assets will be realized and a valuation allowance against certain domestic deferred tax assets remains through 2024. Additional valuation allowance was recorded against certain deferred tax assets on our foreign entities as not more likely than not realizable in the fourth quarter of 2024. The amount of the deferred tax assets considered realizable, however, could be adjusted in future periods in the event sufficient evidence is present to support a conclusion that it is more likely than not that all or a portion of our deferred tax assets will be realized.

As of December 31, 2024 and 2023, the Company had gross deferred tax assets totaling \$98.1 million offset by a valuation allowance totaling \$111.0 million and gross deferred tax assets totaling \$76.7 million offset by a valuation allowance of \$86.6 million, respectively. Of the current valuation allowance, \$87.0 million was established against our domestic deferred tax assets and the remaining \$24.0 million is related to foreign tax assets where we lacked sufficient future source of taxable income to realize those deferred tax assets. The change in our valuation allowance for the year ending December 31, 2024 was an increase of \$24.4 million. The change in the valuation allowance was primarily related to the decrease in deferred tax liabilities remaining from the step up in book basis from purchase accounting and the increase in deferred tax assets associated with net operating losses and interest expense limitation during the year.

Supplemental balance sheet information related to deferred tax assets (liabilities) as of December 31, 2024 and 2023 were as follows:

(In thousands)	December 31, 2024		
	Deferred Tax Assets (Liabilities)	Valuation Allowance	Deferred Tax Assets (Liabilities), net
Domestic	\$ 102,447	\$ (87,030)	\$ 15,417
International	(4,351)	(23,930)	(28,281)
<b>Total</b>	<b>\$ 98,096</b>	<b>\$ (110,960)</b>	<b>\$ (12,864)</b>

(In thousands)	December 31, 2023		
	Deferred Tax Assets (Liabilities)	Valuation Allowance	Deferred Tax Assets (Liabilities), net
Domestic	\$ 101,120	\$ (84,767)	\$ 16,353
International	(24,421)	(1,800)	(26,221)
<b>Total</b>	<b>\$ 76,699</b>	<b>\$ (86,567)</b>	<b>\$ (9,868)</b>

As of December 31, 2024 and 2023, the deferred tax assets for foreign and domestic loss carry-forwards, research and development tax credits, unamortized research and development costs and state credit carry-forwards totaled \$140.0 million and \$135.1 million, respectively. As of December 31, 2024, \$27.7 million of these deferred tax assets will expire at various times between 2025 and 2045. The remaining deferred tax assets will either amortize through 2040 or carryforward indefinitely.

As of December 31, 2024 and 2023, respectively, our cash and cash equivalents were \$77.6 million and \$87.2 million. Of these amounts, our foreign subsidiaries held cash of \$54.2 million and \$73.0 million, respectively, representing approximately 78% and 88% of available short-term liquidity, which is used to fund ongoing liquidity needs of these subsidiaries. As part of our restructuring plan, the Company's assertion on being indefinitely reinvested changed in a particular jurisdiction in a previous year. The Company has a withholding tax liability of \$0.4 million as of December 31, 2024 and 2023. The Company maintains its assertion in all other jurisdictions that it is indefinitely reinvesting its funds held in foreign jurisdictions outside of the U.S., except to the extent any of these funds can be repatriated without withholding tax. However, if all of these funds were repatriated to the U.S., or used for U.S. operations, certain amounts could be subject to tax. Due to the timing and circumstances of repatriation of such earnings, if any, it is not practicable to determine the amount of funds subject to unrecognized deferred tax liability.

During 2024, 2023 and 2022, no income tax benefit or expense was recorded for stock options exercised as an adjustment to equity.

The change in the unrecognized income tax benefits for the years ended December 31, 2024, 2023 and 2022 were as follows:

<i>(In thousands)</i>	2024	2023	2022
<b>Balance at beginning of period</b>	<b>\$ 989</b>	<b>\$ 17,885</b>	<b>\$ 17,836</b>
Increases for tax position related to:			
Prior years	—	—	—
Current year	—	129	123
Decreases for tax positions related to:			
Prior years	(121)	(17,025)	(13)
Expiration of applicable statute of limitations	(616)	—	(61)
<b>Balance at end of period</b>	<b>\$ 252</b>	<b>\$ 989</b>	<b>\$ 17,885</b>

As of December 31, 2024, 2023 and 2022, our total liability for unrecognized tax benefits was \$0.3 million, \$1.0 million and \$17.9 million, respectively, of which \$0.3 million, \$1.0 million and \$17.9 million, respectively, would reduce our effective tax rate if we were successful in upholding all of the uncertain positions and recognized the amounts recorded. We classify interest and penalties recognized on the liability for unrecognized tax benefits as income tax expense. As of December 31, 2023 and 2022, the balances of accrued interest and penalties \$0.1 million and \$0.1 million, respectively. There was no accrued interest and penalties as of December 31, 2024.

We do not anticipate a single tax position generating a significant increase or decrease in our liability for unrecognized tax benefits within 12 months of this reporting date. We file income tax returns in the U.S. for federal and various state jurisdictions and several foreign jurisdictions. We are not currently under audit by the Internal Revenue Service. Generally, we are not subject to changes in income taxes by any taxing jurisdiction for the years prior to 2019.

### **Note 13 – Employee Benefit Plans**

#### *Pension Benefit Plan*

We maintain a defined benefit pension plans covering employees in certain foreign countries. Pension benefit plan obligations are based on various assumptions used by our actuaries in calculating these amounts. These assumptions include discount rates, compensation rate increases, expected return on plan assets, retirement rates and mortality rates. Actual results that differ from the assumptions and changes in assumptions could affect future expenses and obligations. Details regarding the pension plans are set forth below.

- In Germany, there are two defined benefit pension plans and two defined contribution plans. These plans provide benefits in the event of retirement, death or disability. The plan's benefits are based on age, years of service and salary. The defined benefit plans are financed by contributions paid by the Company and the defined contribution plans are financed by contributions paid by the participants.
- In Switzerland, there are two defined benefit pension plans. Both plans provide benefits in the event of retirement, death or disability. The plan's benefits are based on age, years of service, salary and on a participant's old age account. The plans are financed by contributions paid by the participants and by the Company.
- In Italy, the post-employment benefit plan is required due to statutory provisions. The plan is financed directly by the Company on a pay as you go basis. Employees receive their pension payments as a function of salary, inflation and a notional account.
- In Israel, there is a defined benefit pension plan that provides benefits in the event of a participant being dismissed involuntarily, retirement or death. The plan's benefits are based on the higher of the severance benefit required by law or the cash surrender value of the severance benefit component of any qualifying insurance policy or long-term employee benefit fund that is registered in the participants name. The plan is financed by contributions paid by the Company.
- In India, the post-employment benefit plan is required due to statutory provisions. The plan is financed directly by the Company on a pay as you go basis.

The pension benefit plan obligations and funded status as of December 31, 2024 and 2023, were as follows:

<i>(In thousands)</i>	2024	2023
<b>Change in projected benefit obligation:</b>		
Projected benefit obligation at beginning of period	\$ 67,897	\$ 59,344
Service cost	1,664	1,579
Interest cost	1,902	1,851
Actuarial (gain) loss - experience	(238)	1,181
Actuarial loss - assumptions	860	1,791
Benefit payments	(4,108)	(1,966)
Plan amendments	(874)	966
Participant contributions	429	—
Effects of foreign currency exchange rate changes	(4,273)	3,151
<b>Projected benefit obligation at end of period</b>	<b>63,259</b>	<b>67,897</b>
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of period	55,218	48,720
Actual gain on plan assets	3,966	3,125
Contributions	1,288	1,215
Benefit payments	(2,244)	(231)
Effects of foreign currency exchange rate changes	(3,738)	2,389
<b>Fair value of plan assets at end of period</b>	<b>54,490</b>	<b>55,218</b>
<b>Unfunded status at end of period</b>	<b>\$ (8,769)</b>	<b>\$ (12,679)</b>

The accumulated benefit obligation was \$62.8 million and \$67.1 million as of December 31, 2024 and 2023, respectively. The decrease in the accumulated benefit obligation, projected benefit obligation and the actuarial loss was primarily attributable to benefit payments to retirees and the effect of exchange rates during the year.

The net amounts recognized in the Consolidated Balance Sheets for the unfunded pension liability as of December 31, 2024 and 2023 were as follows:

<i>(In thousands)</i>	Balance Sheet Location	2024	2023
Non-current pension asset	Other non-current assets	\$ 517	\$ —
Current pension liability	Accrued wages and benefits	(303)	(136)
Non-current pension liability	Non-current pension liability	(8,983)	(12,543)
<b>Total</b>		<b>\$ (8,769)</b>	<b>\$ (12,679)</b>

The components of net periodic pension cost, other than the service cost component, are included in other income, net in the Consolidated Statements of Loss. The components of net periodic pension cost and amounts recognized in other comprehensive (loss) income for the years ended December 31, 2024, 2023 and 2022 were as follows:

<i>(In thousands)</i>	2024	2023	2022
<b>Net periodic benefit cost:</b>			
Service cost	\$ 1,664	\$ 1,579	\$ 1,426
Interest cost	1,902	1,851	1,168
Expected return on plan assets	(2,529)	(1,750)	(2,129)
Amortization of actuarial losses	28	26	355
<b>Net periodic benefit cost</b>	<b>1,065</b>	<b>1,706</b>	<b>820</b>
<b>Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):</b>			
Net actuarial (gain) loss	(1,640)	2,304	(6,549)
Amortization of actuarial gains (losses)	233	(145)	(113)
<b>Amount recognized in other comprehensive (income) loss</b>	<b>(1,407)</b>	<b>2,159</b>	<b>(6,662)</b>
<b>Total recognized in net periodic benefit cost and other comprehensive (income) loss</b>	<b>\$ (342)</b>	<b>\$ 3,865</b>	<b>\$ (5,842)</b>

The amounts recognized in accumulated other comprehensive loss as of December 31, 2024 and 2023 were as follows:

<i>(In thousands)</i>	2024	2023
Net actuarial loss	\$ (1,824)	\$ (3,231)

The defined benefit pension plans are accounted for on an actuarial basis, which requires the use of various assumptions, including an expected rate of return on plan assets and a discount rate. The expected return on our plan's assets is utilized in determining the benefit obligation and net periodic benefit cost is derived from periodic studies, which include a review of asset allocation strategies, anticipated future long-term performance of individual asset classes, risks using standard deviations and correlations of returns among the asset classes that comprise the plans' asset mix. While the studies give appropriate consideration to recent plan performance and historical returns, the assumptions are primarily long-term, prospective rates of return. The discount rate has been derived from the returns of high-quality, corporate bonds denominated in euro currency with durations close to the duration of our pension obligations.

The weighted-average assumptions that were used to determine the net periodic benefit cost for the years ended December 31, 2024, 2023 and 2022 were as follows:

	2024	2023	2022
Discount rate	2.84%	3.17%	3.24%
Rate of compensation increase	1.54%	2.22%	2.17%
Expected long-term rates of return	4.85%	4.83%	4.65%

The weighted-average assumptions that were used to determine the benefit obligation as of December 31, 2024 and 2023:

	2024	2023
Discount rate	2.73%	2.84%
Rate of compensation increase	1.54%	2.22%

Actuarial gains and losses are recorded in accumulated other comprehensive income. To the extent unamortized gains and losses exceed 10% of the higher of the market-related value of assets or the projected benefit obligation, the excess is amortized as a component of net periodic pension cost over the remaining service period of active participants.

The Company anticipates making approximately \$2.0 million in contributions to the pension plans in 2025.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid to participants:

<i>(In thousands)</i>	
2025	\$ 3,032
2026	3,214
2027	3,906
2028	3,346
2029	4,352
2030 - 2034	18,834
<b>Total</b>	<b>\$ 36,684</b>

U.S. GAAP establishes a three-level valuation hierarchy based upon observable and unobservable inputs for fair value measurement of financial instruments:

- Level 1 – Observable outputs; values based on unadjusted quoted prices for identical assets or liabilities in an active market;
- Level 2 – Significant inputs that are observable; values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly;
- Level 3 – Significant unobservable inputs; values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs could include information supplied by investees.



We have categorized our cash equivalents and our investments held at fair value into this hierarchy as follows:

Fair Value Measurements at December 31, 2024 Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In thousands)</i>				
<b>Cash and cash equivalents</b>	\$ 753	\$ 753	\$ —	\$ —
<b>Available-for-sale securities</b>				
Bond funds	18,058	16,867	1,191	—
Equity funds	21,376	21,183	193	—
Other funds	7,406	6,089	1,317	—
Real estate funds	6,897	1,737	2,106	3,054
<b>Available-for-sale securities</b>	<b>53,737</b>	<b>45,876</b>	<b>4,807</b>	<b>3,054</b>
<b>Total</b>	<b>\$ 54,490</b>	<b>\$ 46,629</b>	<b>\$ 4,807</b>	<b>\$ 3,054</b>

Fair Value Measurements at December 31, 2023 Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In thousands)</i>				
<b>Cash and cash equivalents</b>	\$ 987	\$ 987	\$ —	\$ —
<b>Available-for-sale securities</b>				
Bond funds	20,155	18,840	1,315	-
Equity funds	21,525	21,288	237	—
Other funds	6,054	5,343	711	—
Insurance contracts	353	—	353	—
Real estate funds	6,144	546	2,326	3,272
<b>Available-for-sale securities</b>	<b>54,231</b>	<b>46,017</b>	<b>4,942</b>	<b>3,272</b>
<b>Total</b>	<b>\$ 55,218</b>	<b>\$ 47,004</b>	<b>\$ 4,942</b>	<b>\$ 3,272</b>

Our investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants and consider a broad range of economic conditions. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans' actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The investment policy is periodically reviewed by the Company and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner that is compliant at all times with applicable government regulations.

#### 401(k) Savings Plans

We maintain the ADTRAN, Inc. 401(k) Retirement Plan and the Adtran Networks SE 401(k) Retirement Plan (the "Savings Plans") for the benefit of eligible employees. The Savings Plans are intended to qualify under Sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"), and is intended to be a "safe harbor" 401(k) plan under Code Section 401(k)(12). The Savings Plans allows employees to save for retirement by contributing part of their compensation to the plan on a tax-deferred basis. The Savings Plans also requires us to contribute a "safe harbor" amount each year. In our legacy ADTRAN, Inc. plan, we match up to 4% of employee contributions (100% of an employee's first 3% of contributions and 50% of their next 2% of contributions), beginning on the employee's one-year anniversary date. All matching contributions under the legacy ADTRAN, Inc. Savings Plan vest immediately. In our legacy Adtran Networks, plan, we match up to 1.5% of employee contributions (25% of an employee's first 6% of contributions). All matching contributions under the legacy Adtran Networks Savings Plan vest ratably over five years beginning on the employee's one-year anniversary date. In addition, under the legacy Adtran Networks plan, an annual matching employer contribution is made which is based on the Company's achievement against a yearly relative Pro-forma EBIT target which can range from no additional match up to an additional 50% match. In calculating our matching contributions, compensation up to the statutory maximum under the Code is used (\$345,000 for 2024). Employer contribution expense and plan administration costs for both Savings Plan amounted to approximately \$3.5 million, \$4.2 million and \$4.1 million in 2024, 2023 and 2022, respectively.



### *Deferred Compensation Plans*

We maintain two deferred compensation programs for certain executive management employees.

The ADTRAN, Inc. Deferred Compensation Program for Employees is offered as a supplement to our tax-qualified 401(k) plan and is available to certain executive management employees who have been designated by our Board of Directors. This deferred compensation plan allows participants to defer all or a portion of certain specified bonuses and up to 25% of remaining cash compensation and permits us to make matching contributions on a discretionary basis without the limitations that apply to the 401(k) plan. To date, we have not made any matching contributions under this plan. We also maintain the ADTRAN, Inc. Equity Deferral Program for Employees. Under this plan, participants may elect to defer all or a portion of their vested PSUs and RSUs to the plan. Such deferrals shall continue to be held and deemed to be invested in shares of Adtran stock unless and until the amounts are distributed or such deferrals are moved to another deemed investment pursuant to an election made by the participant.

We have set aside the plan assets for all plans in a rabbi trust (the “Trust”) and all contributions are credited to bookkeeping accounts for the participants. The Trust assets are subject to the claims of our creditors in the event of bankruptcy or insolvency. The assets of the Trust are deemed to be invested in pre-approved mutual funds as directed by each participant and the participant’s bookkeeping account is credited with the earnings and losses attributable to those investments. Benefits are scheduled to be distributed six months after termination of employment in a single lump sum payment or annual installments paid over a three or ten-year term based on the participant’s election. Distributions will be made on a pro-rata basis from each of the hypothetical investments of the participant’s account in cash. Any whole shares of ADTRAN, Inc. common stock that are distributed will be distributed in-kind.

Assets of the Trust are deemed invested in mutual funds that cover an investment spectrum ranging from equities to money market instruments. These mutual funds are publicly quoted and reported at fair value. The fair value of the assets held by the Trust and the amounts payable to the plan participants as of December 31, 2024 and 2023 were as follows:

<i>(In thousands)</i>	2024	2023
<b>Fair Value of Plan Assets</b>		
Long-term investments	\$ 30,991	\$ 26,838
<b>Total Fair Value of Plan Assets</b>	<b>\$ 30,991</b>	<b>\$ 26,838</b>
<b>Amounts Payable to Plan Participants</b>		
Deferred compensation liability	\$ 33,203	\$ 29,039
<b>Total Amounts Payable to Plan Participants</b>	<b>\$ 33,203</b>	<b>\$ 29,039</b>

The Trust held \$2.2 million of common stock in the Company as of December 31, 2024 and 2023. Shares of the Company held by the Trust are recorded at cost and classified as treasury stock on the Consolidated Balance Sheet.

Interest and dividend income of the Trust are included in interest and dividend income in the accompanying 2024, 2023 and 2022 Consolidated Statements of Loss. Changes in the fair value of the plan assets held by the Trust have been included in other income, net in the accompanying 2024, 2023 and 2022 Consolidated Statements of Loss. Changes in the fair value of the deferred compensation liability are included as selling, general and administrative expense in the accompanying 2024, 2023 and 2022 Consolidated Statements of Loss. Based on the changes in the total fair value of the Trust's assets, the Company recorded deferred compensation income in 2024, 2023 and 2022 of \$3.4 million, \$3.0 million and \$6.3 million, respectively.

#### Note 14 – Equity

The following table presents changes in accumulated other comprehensive income (loss), net of tax, by components of accumulated other comprehensive income (loss) for the years ended December 31, 2024, 2023 and 2022:

<i>(In thousands)</i>	Unrealized Gains (Losses) on Available- for-Sale Securities	Defined Benefit Plan Adjustments	Foreign Currency Adjustments	ASU 2018-02 Adoption <sup>(1)</sup>	Total
<b>Balance as of December 31, 2022</b>	<b>(836)</b>	<b>(1,016)</b>	<b>27,593</b>	<b>385</b>	<b>26,126</b>
Other comprehensive (loss) income before reclassifications	734	(1,590)	22,757	—	21,901
Amounts reclassified from accumulated other comprehensive (loss) income	(280)	100	—	—	(180)
Net current period other comprehensive income (loss)	454	(1,490)	22,757	—	21,721
Less: Other comprehensive income attributable to non-controlling interest, net of tax	—	—	382	—	382
<b>Balance as of December 31, 2023</b>	<b>(382)</b>	<b>(2,506)</b>	<b>49,968</b>	<b>385</b>	<b>47,465</b>
Other comprehensive (loss) income before reclassifications	(160)	1,640	(38,047)	—	(36,567)
Amounts reclassified from accumulated other comprehensive income (loss)	160	(161)	—	—	(1)
Net current period other comprehensive income (loss)	—	1,479	(38,047)	—	(36,568)
<b>Balance as of December 31, 2024</b>	<b>\$ (382)</b>	<b>\$ (1,027)</b>	<b>\$ 11,921</b>	<b>\$ 385</b>	<b>\$ 10,897</b>

- (1) With the adoption of ASU 2018-02 on January 1, 2019, stranded tax effects related to the Tax Cuts and Jobs Act of 2017 were reclassified to retained earnings.

The following tables present the details of reclassifications out of accumulated other comprehensive income (loss) for the years ended December 31, 2024, 2023 and 2022:

(In thousands)

Details about Accumulated Other Comprehensive (Loss) Income Components	For the year ended December 31,			Affected Line Item in the Statement Where Net Loss Is Presented
	2024	2023	2022	
Unrealized gains (loss) on available-for-sale securities:				
Net realized gain (loss) on sales of securities	\$ 216	\$ (378)	\$ (328)	Net investment gain
Defined benefit plan adjustments – actuarial (loss) gain	(233)	145	113	(1)
Total reclassifications for the period, before tax	(17)	(233)	(215)	
Tax expense	16	53	50	
<b>Total reclassifications for the period, net of tax</b>	<b>\$ (1)</b>	<b>\$ (180)</b>	<b>\$ (165)</b>	

(1) Included in the computation of net periodic pension cost. See Note 13 for additional information.

The following tables present the tax effects related to the change in each component of other comprehensive income (loss) for the years ended December 31, 2024, 2023 and 2022:

(In thousands)	2024		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Unrealized (losses) gains on available-for-sale securities	\$ (216)	\$ 56	\$ (160)
Reclassification adjustment for amounts related to available-for-sale investments included in net income (loss)	216	(56)	160
Defined benefit plan adjustments	1,640	—	1,640
Reclassification adjustment for amounts related to defined benefit plan adjustments included in net (loss) income	(233)	72	(161)
Foreign currency translation adjustment	(38,047)	—	(38,047)
<b>Total Other Comprehensive Loss</b>	<b>\$ (36,640)</b>	<b>\$ 72</b>	<b>\$ (36,568)</b>

(In thousands)	2023		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Unrealized gains (losses) on available-for-sale securities	\$ 992	\$ (258)	\$ 734
Reclassification adjustment for amounts related to available-for-sale investments included in net (loss) income	(378)	98	(280)
Defined benefit plan adjustments	(2,304)	714	(1,590)
Reclassification adjustment for amounts related to defined benefit plan adjustments included in net income (loss)	145	(45)	100
Foreign currency translation adjustment	22,757	—	22,757
<b>Total Other Comprehensive Income</b>	<b>\$ 21,212</b>	<b>\$ 509</b>	<b>\$ 21,721</b>

(In thousands)	2022		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Unrealized (losses) gains on available-for-sale securities	\$ (55)	\$ 14	\$ (41)
Reclassification adjustment for amounts related to available-for-sale investments included in net (loss) income	(328)	85	(243)
Defined benefit plan adjustments	6,549	(2,030)	4,519
Reclassification adjustment for amounts related to defined benefit plan adjustments included in net income (loss)	113	(35)	78
Foreign currency translation adjustment	53,396	—	53,396
<b>Total Other Comprehensive Income (Loss)</b>	<b>\$ 59,675</b>	<b>\$ (1,966)</b>	<b>\$ 57,709</b>

## Note 15 – Redeemable Non-Controlling Interest

As of December 31, 2024 and 2023, the non-controlling Adtran Networks stockholders' equity ownership percentage in Adtran Networks was approximately 33.0% and 34.7%, respectively.

The following table summarizes the redeemable non-controlling interest activity for the year ended December 31, 2024 and 2023:

<i>(In thousands)</i>	<b>For the year ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Balance at beginning of period</b>	<b>\$ 442,152</b>	<b>\$ —</b>
Reclassification of non-controlling interests	1,175	443,757
Redemption of redeemable non-controlling interests	(20,384)	(1,657)
Net income attributable to redeemable non-controlling interests	9,824	10,092 <sup>(1)</sup>
Annual recurring compensation earned	(9,824)	(10,092) <sup>(1)</sup>
Adtran Networks stock option exercises	—	52
<b>Balance at end of period</b>	<b>\$ 422,943</b>	<b>\$ 442,152 <sup>(1)</sup></b>

(1) During the the third quarter of 2024, the Company identified errors primarily impacting the carrying values of the redeemable non-controlling interest, retained deficit, the net income attributable to the non-controlling interest and the net loss attributable to the Company and, as a consequence, of the loss per common share attributable to the Company. We have revised our previously issued Consolidated Financial Statements for the year ended December 31, 2023. See Note 1 for additional information.

Annual Recurring Compensation payable on untendered outstanding shares under the DPLTA must be recognized as it is accrued. For the years ended December 31, 2024 and 2023, we accrued \$9.8 million and \$10.1 million, respectively, representing the portion of the annual recurring cash compensation cash to the non-controlling shareholders during such periods. The 2024 Annual Recurring Compensation accrual will be paid after the ordinary general shareholders' meeting of Adtran Networks in 2025. For the year ended December 31, 2023, we paid \$10.1 million representing the portion of the annual recurring cash compensation to the non-controlling shareholders during such period. *See Note 1 for additional information on RNCI and the Annual Recurring Compensation.*

## Note 16 – Segment Information and Major Customers

The chief operating decision maker is the Company's Chief Executive Officer who regularly reviews the Company's financial performance based on two reportable segments: (1) Network Solutions and (2) Services & Support.

The Network Solutions segment includes hardware and software products that enable a digital future which support the Company's Subscriber, Access and Aggregation, and Optical Networking Solutions. The Company's cloud-managed Wi-Fi gateways, virtualization software, and switches provide a mix of wired and wireless connectivity at the customer premises. In addition, its Carrier Ethernet products support a variety of applications at the network edge ranging from mobile backhaul to connecting enterprise customers ("Subscriber Solutions"). The Company's portfolio includes products for multi-gigabit service delivery over fiber or alternative media to homes and businesses.

The Services & Support segment offers a comprehensive portfolio of network design, implementation, maintenance and cloud-hosted services supporting its Subscriber, Access and Aggregation, and Optical Networking Solutions. These services assist operators in the deployment of multi-vendor networks while reducing their cost to maintain these networks. The cloud-hosted services include a suite of SaaS applications under the Company's Mosaic One platform that manages end-to-end network and service optimization for both fiber access infrastructure and mesh Wi-Fi connectivity. The Company backs these services with a global support organization that offers on-site and off-site support services with varying SLAs.

The performance of these segments is evaluated based on revenue, gross profit and gross margin; therefore, selling, general and administrative expenses, research and development expenses, interest and dividend income, interest expense, net investment gain (loss), other income, net and income tax (expense) benefit are reported on a Company-wide basis only. There is no inter-segment revenue. Asset information by reportable segment is not produced and, therefore, is not reported.

### Revenue and Gross Profit

The following table presents information about revenue and gross profit of our reportable segments for each of the years ended December 31, 2024, 2023 and 2022:

(In thousands)	2024			2023			2022		
	Revenue	Cost of Revenue	Gross Profit	Revenue	Cost of Revenue	Gross Profit	Revenue	Cost of Revenue	Gross Profit
Network Solutions	\$ 738,964	\$ 519,667	\$ 219,297	\$ 974,389	\$ 746,895	\$ 227,494	\$ 916,793	\$ 647,105	\$ 269,688
Services & Support	183,756	72,739	111,017	174,711	69,142	105,569	108,743	51,179	57,564
<b>Total</b>	<b>\$ 922,720</b>	<b>\$ 592,406</b>	<b>\$ 330,314</b>	<b>\$ 1,149,100</b>	<b>\$ 816,037</b>	<b>\$ 333,063</b>	<b>\$ 1,025,536</b>	<b>\$ 698,284</b>	<b>\$ 327,252</b>

For the years ended December 31, 2024, 2023 and 2022, \$6.1 million, \$6.5 million and \$3.2 million, respectively, of depreciation expense was included in gross profit for our Network Solutions segment. For the years ended December 31, 2024, 2023 and 2022, \$0.1 million, \$20 thousand and \$10 thousand, respectively, of depreciation expense was included in gross profit for our Services & Support segment.

### Revenue by Category

In addition to operating under two reportable segments, the Company also reports revenue across three categories – Subscriber Solutions, Access & Aggregation Solutions and Optical Networking Solutions.

Prior to the Business Combination with Adtran Networks on July 15, 2022, ADTRAN, Inc. reported revenue across the following three categories: (1) Access & Aggregation, (2) Subscriber Solutions & Experience and (3) Traditional & Other Products. Following the Business Combination with Adtran Networks, the Company has recast these revenues such that ADTRAN, Inc.'s former Access & Aggregation revenue is combined with a portion of the applicable Adtran Networks solutions to create Access & Aggregation Solutions, Adtran's former Subscriber Solutions & Experience revenue is combined with a portion of the applicable Adtran Networks solutions to create Subscriber Solutions, and the revenue from Traditional & Other products is now included in the applicable Access & Aggregation Solutions or Subscriber Solutions category. Optical Networking Solutions was added as a new revenue category to represent a meaningful portion of Adtran Networks' portfolio.

Our Subscriber Solutions portfolio is used by Service Providers to terminate their access services infrastructure at customers' premises while providing an immersive and interactive experience for residential, business and wholesale subscribers. This revenue category includes hardware- and software-based products and services. These solutions include fiber termination solutions for residential, business and wholesale subscribers, Wi-Fi access solutions for residential and business subscribers, Ethernet switching and network edge virtualization solutions for business subscribers, and cloud software solutions covering a mix of subscriber types.

Our Access & Aggregation Solutions are solutions that are used by communications Service Providers to connect residential subscribers, business subscribers and mobile radio networks to the Service Providers' metro network, primarily through fiber-based connectivity. This revenue category includes hardware- and software-based products and services. Our solutions within this category are a mix of fiber access and aggregation platforms, precision network synchronization and timing solutions, and access orchestration solutions that ensure highly reliable and efficient network performance.

Our Optical Networking Solutions are used by communications Service Providers, internet content providers and large-scale enterprises to securely interconnect metro and regional networks over fiber. This revenue category includes hardware- and software-based products and services. Our solutions within this category include open optical terminals, open line systems, optical subsystems and modules, network infrastructure assurance systems, and automation platforms that are used to build high-scale, secure and assured optical networks.

The following tables disaggregate our revenue by category for the years ended December 31, 2024, 2023 and 2022:

(In thousands)	2024		
	Network Solutions	Services & Support	Total
Subscriber Solutions	\$ 295,541	\$ 35,237	\$ 330,778
Access & Aggregation Solutions	232,934	58,072	291,006
Optical Networking Solutions	210,489	90,447	300,936
<b>Total</b>	<b>\$ 738,964</b>	<b>\$ 183,756</b>	<b>\$ 922,720</b>

(In thousands)	2023		
	Network Solutions	Services & Support	Total
Subscriber Solutions	\$ 263,192	\$ 34,516	\$ 297,708
Access & Aggregation Solutions	304,074	54,344	358,418
Optical Networking Solutions	407,123	85,851	492,974
<b>Total</b>	<b>\$ 974,389</b>	<b>\$ 174,711</b>	<b>\$ 1,149,100</b>

(In thousands)	2022		
	Network Solutions	Services & Support	Total
Subscriber Solutions	\$ 364,238	\$ 26,216	\$ 390,454
Access & Aggregation Solutions	326,934	47,068	374,002
Optical Networking Solutions	225,621	35,459	261,080
<b>Total</b>	<b>\$ 916,793</b>	<b>\$ 108,743</b>	<b>\$ 1,025,536</b>

#### Additional Information

The following table presents revenue information by geographic area for the years ended December 31, 2024, 2023 and 2022:

(In thousands)	2024	2023	2022
United States	\$ 398,170	\$ 460,985	\$ 517,433
United Kingdom	196,064	214,655	189,685
Germany	119,976	230,922	146,797
Other international	208,510	242,538	171,621
<b>Total</b>	<b>\$ 922,720</b>	<b>\$ 1,149,100</b>	<b>\$ 1,025,536</b>

Customers comprising more than 10% of revenue can change from year to year. The Company had one customer comprising more than 10% of revenue in 2024 at 12.1% and was included in both our Network Solutions and Services & Support segments. This customer accounted for \$111.8 million, \$126.0 million and \$106.3 million in revenues for the years ended December 31, 2024, 2023 and 2022, respectively. Single customers comprising more than 10% of revenue in 2023 included one customer at 10.4% and was included in both our Network Solutions and Services & Support segments. Single customers comprising more than 10% of revenue in 2022 included one customer at 18% and was included in both our Network Solutions and Services & Support segments. Other than those with more than 10% of revenue disclosed above, our next five largest customers can change, and have historically changed, from year-to-year. The next five largest customers combined represented 22%, 28% and 33% of total revenue in 2024, 2023 and 2022, respectively.

As of December 31, 2024, property, plant and equipment, net totaled \$102.9 million, which included \$46.3 million held in the U.S. and \$56.6 million held outside the U.S. As of December 31, 2023, property, plant and equipment, net totaled \$113.6 million, which included

\$55.1 million held in the U.S. and \$58.5 million held outside the U.S. Property, plant and equipment, net is reported on a Company-wide, functional basis only.

#### Note 17 – Liability for Warranty Returns

The liability for warranty obligations totaled \$4.5 million and \$6.4 million as of December 31, 2024 and 2023, respectively. These liabilities are included in accrued expenses and other liabilities and other non-current liabilities in the accompanying Consolidated Balance Sheets.

A summary of warranty expense and write-off activity for the years ended December 31, 2024, 2023 and 2022 is as follows:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
<b>Balance at beginning of period</b>	<b>\$ 6,445</b>	<b>\$ 7,196</b>	<b>\$ 5,403</b>
Plus: Adtran Networks acquisition	—	—	3,756
Plus: Amounts charged to cost and expenses	1,772	2,952	3,104
Plus: Foreign currency translation adjustments	(119)	82	334
Less: Deductions	(3,586)	(3,784)	(5,401)
<b>Balance at end of period</b>	<b>\$ 4,512</b>	<b>\$ 6,445</b>	<b>\$ 7,196</b>

#### Note 18 – Commitments and Contingencies

##### *Legal Matters*

From time to time, the Company is subject to or otherwise involved in various lawsuits, claims, investigations and legal proceedings that arise out of or are incidental to the conduct of our business (collectively, “Legal Matters”), including those relating to employment matters, patent rights, regulatory compliance matters, stockholder claims, and contractual and other commercial disputes. Such Legal Matters, even if not meritorious, could result in the expenditure of significant financial and managerial resources. Additionally, an unfavorable outcome in a legal matter, including in a patent dispute, could require the Company to pay damages, entitle claimants to other relief, such as royalties, or could prevent the Company from selling some of its products in certain jurisdictions. The Company records an accrual for any Legal Matters that arise whenever it considers that it is probable that it is exposed to a loss contingency and the amount of the loss contingency can be reasonably estimated. Although the ultimate disposition of asserted claims cannot be predicted with certainty, it is our belief that the outcome of any such claims, either individually or on a combined basis, will not have a material adverse effect on our consolidated financial position.

##### *DPLTA Appraisal Proceedings*

In addition to such Legal Matters, the Company is a party to appraisal proceedings relating to the DPLTA. The DPLTA provides that Adtran Networks shareholders (other than the Company) be offered, at their election, (i) to put their Adtran Networks shares to the Company in exchange for compensation in cash of €17.21 per share, plus guaranteed interest or (ii) to remain Adtran Networks shareholders and receive recurring cash compensation of €0.52 per share for each full fiscal year of Adtran Networks. The appraisal proceedings, which were initiated by certain minority shareholders of Adtran Networks, challenge the adequacy of both forms of compensation. While the Company believes that the compensation offered in connection with the DPLTA is fair, it notes that German courts often adjudicate increases of the cash compensation to plaintiffs in varying amounts in connection with German appraisal proceedings. Therefore, the Company cannot rule out that the first instance court or an appellate court may increase the cash compensation owed to the minority Adtran Networks shareholders. Given the stage of the appraisal proceedings, the Company is currently unable to predict the likely outcome or estimate the potential financial impact, if any, of the appraisal proceedings. If a ruling were to occur and be upheld upon appeal that required the Company to pay significant additional cash compensation to the Adtran Networks minority shareholders, there exists the possibility of a material adverse effect on our financial position and results of operations for the period in which the ruling occurs or future periods.

##### *DPLTA Exit and Recurring Compensation Costs and the Absorption of Adtran Network's Annual Net Loss*

Pursuant to the terms of the DPLTA, each Adtran Networks shareholder (other than the Company) has received an offer to elect either (1) to remain an Adtran Networks shareholder and receive from us an Annual Recurring Compensation payment, or (2) to receive Exit Compensation plus guaranteed interest. The guaranteed interest under the Exit Compensation is calculated from the effective date of the DPLTA to the date the shares are tendered, less any Annual Recurring Compensation paid. The guaranteed interest rate is 5.0% plus a variable component (according to the German Civil Code) that was 3.37% as of December 31, 2024. Assuming all the minority holders of currently outstanding Adtran Networks shares were to elect the second option, we would be obligated to make aggregate Exit Compensation payments, including guaranteed interest, of approximately €333.2 million or approximately \$344.9 million, based on an exchange rate as of December 31, 2024 and reflecting interest accrued through December 31, 2024 during the pendency of the appraisal proceedings discussed below. Shareholders electing the first option of Annual Recurring Compensation may later elect the second



option. The opportunity for outside Adtran Networks shareholders to tender Adtran Networks shares in exchange for Exit Compensation had been scheduled to expire on March 16, 2023. However, due to the appraisal proceedings that have been initiated in accordance with applicable German law, this time period for tendering shares has been extended pursuant to the German Stock Corporation Act (*Aktiengesetz*) and will end two months after the date on which a final decision in such appraisal proceedings has been published in the Federal Gazette (*Bundesanzeiger*).

Our obligation to pay Annual Recurring Compensation under the DPLTA is a continuing payment obligation, which will amount to approximately €8.9 million (or \$9.3 million based on the current exchange rate) per year assuming none of the minority Adtran Networks shareholders were to elect Exit Compensation. The foregoing amounts do not reflect any potential increase in payment obligations that we may have depending on the outcome of ongoing appraisal proceedings in Germany. The Annual Recurring Compensation is due on the third banking day following the ordinary general shareholders' meeting of Adtran Networks for the respective preceding fiscal year (but in any event within eight months following expiration of the fiscal year). With respect to the 2023 fiscal year, Adtran Networks' ordinary general shareholders' meeting occurred on June 28, 2024 and, therefore, the Annual Recurring Compensation was paid on July 3, 2024. With respect to the 2024 fiscal year, Adtran Networks' ordinary general shareholders meeting is scheduled for June 27, 2025 and, therefore, the Annual Recurring Compensation will be due on July 2, 2025. During the year ended December 31, 2024 and 2023, we accrued \$9.8 million and \$10.1 million, respectively, in Annual Recurring Compensation, which was reflected as an increase to retained deficit.

For the year ended December 31, 2024, approximately 831 thousand shares, of Adtran Networks stock were tendered to the Company. This resulted in total Exit Compensation payments of approximately €15.7 million, or approximately \$17.4 million, based on exchange rates at the time of the transactions, being paid to Adtran Networks shareholders. For the year ended December 31, 2023, 67 thousand shares, respectively, of Adtran Networks shares were tendered to the Company. This resulted in Exit Compensation payments of approximately €1.2 million, respectively, or approximately \$1.3 million, based on an exchange rate as of December 31, 2023, being paid to Adtran Networks shareholders.

In addition, under the DPLTA, subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, (i) the Company is entitled to issue binding instructions to the management board of Adtran Networks, (ii) Adtran Networks will transfer its annual profit to the Company, subject to, among other things, the creation or dissolution of certain reserves, and (iii) the Company will generally absorb the annual net loss incurred by Adtran Networks. The Company's payment obligation in satisfaction of the requirement that it absorb Adtran Networks' annual net loss applied for the first time to the net loss generated in 2023.

#### *Performance Bonds*

Certain contracts, customers and jurisdictions in which the Company do business require us to provide various guarantees of performance such as bid bonds, performance bonds and customs bonds. As of December 31, 2024 and December 31, 2023, the Company had commitments related to these bonds totaling \$15.7 million and \$10.8 million, respectively, which expire at various dates through April 2029. In general the Company would only be liable for the amount of these guarantees in the event of default under each contract, the probability of which the Company believes is remote.

#### *Purchase Obligations*

The Company purchases components from a variety of suppliers and use contract manufacturers to provide manufacturing services for our products. Our inventory purchase obligations are for short-term product manufacturing requirements, as well as for obligations to suppliers to secure manufacturing capacity. Certain of our inventory purchase obligations with contract manufacturers and suppliers relate to arrangements to secure supply and pricing for certain product components for multi-year periods. As of December 31, 2024, purchase obligations totaled \$202.5 million.



## Note 19 – Loss per Share

The calculations of basic and diluted loss per share for the years ended December 31, 2024, 2023 and 2022 are as follows:

<i>(In thousands, except for per share amounts)</i>	2024	2023	2022
<b>Numerator</b>			
Net loss attributable to ADTRAN Holdings, Inc.	\$ (450,872)	\$ (266,289)	\$ (2,037)
Effect of redemption of RNCI	2,981	—	—
Net loss attributable to ADTRAN Holdings, Inc. common stockholders	<u>\$ (447,891)</u>	<u>\$ (266,289)</u>	<u>\$ (2,037)</u>
<b>Denominator</b>			
Weighted average number of shares – basic	78,928	78,416	62,346
Effect of dilutive securities:			
Stock options	—	—	—
PSUs, RSUs and restricted stock	—	—	—
Weighted average number of shares – diluted	<u>78,928</u>	<u>78,416</u>	<u>62,346</u>
Loss per share attributable to ADTRAN Holdings, Inc. – basic	\$ (5.67)	\$ (3.39)	\$ (0.03)
Loss per share attributable to ADTRAN Holdings, Inc. – diluted	\$ (5.67)	\$ (3.39)	\$ (0.03)

For each of the years ended December 31, 2024, 2023 and 2022, less than 0.8 million, 0.5 million and 0.1 million shares of unvested or unearned, as applicable, PSUs, RSUs and restricted stock were excluded from the calculation of diluted loss per share due to their anti-dilutive effect.

For the years ended December 31, 2024, 2023 and 2022, 3.4 million, 1.8 million and 0.2 million stock options, respectively, were outstanding but were not included in the computation of diluted loss per share due to their exercise prices being greater than the average market price of the common shares during the quarter, making them anti-dilutive under the treasury stock method.

## Note 20 – Restructuring

During the fourth quarter of 2022, the Company initiated a restructuring program designed to optimize the assets, business processes, and information technology systems of the Company in relation to the Business Combination with Adtran Networks. The restructuring program included expenses specifically associated with achieving run-rate synergies as well as Business Efficiency Program expenses described below.

On November 6, 2023, due to the uncertainty around the current macroeconomic environment and its impact on customer spending levels, the Company's management decided to implement a business efficiency program ("Business Efficiency Program") targeting the reduction of ongoing operating expenses and focusing on capital efficiency inclusive of certain salary reductions, an early retirement program, a site consolidation plan to include lease impairments and the sale of owned real estate (including the sale of our headquarters), inventory write downs from product discontinuances, and the suspension of the quarterly dividend. The Business Efficiency Program expanded upon other recently implemented restructuring efforts and synergy costs following the Business Combination. For instance, on August 17, 2023, the Company's management determined to discontinue its copper-based Digital Subscriber Line broadband access technology products and its fixed wireless access products in its Network Solutions segment. Furthermore, on September 29, 2023, the Company's management decided to exit the "IoT" gateway market (indoor and outdoor), a subset of the broader IoT market (together with the other product discontinuations, the "Discontinuations"). On October 25, 2023, all employees were informed of certain personnel measures, which included the reduction of salary for select management, a reduction of approximately 5% of the workforce, an early retirement program and a hiring freeze. Additionally, on April 11, 2024, Management determined to close a facility in Greifswald, Germany which occurred in November 2024. As of December 31, 2024, the Company classified the Company's property, specifically the North and South Towers located on our Huntsville, Alabama campus, as assets held for sale, *see Note 1 and Note 6 of this report for additional information*. The Business Efficiency Program was substantially complete as of December 31, 2024.

During the years ended December 31, 2024 and 2023, we recognized \$44.7 million and \$25.1 of costs related to the Business Efficiency Program. The costs recognized during the year ended December 31, 2024, included total other renegotiated charges and inventory write-down of \$8.6 million as a result of a strategy shift which included discontinuance of certain items in connection with the Business

Efficiency Program, of which, \$4.1 million relates to inventory write-downs and \$4.5 million relates to other charges, and are included in cost of revenue in the Consolidated Statements of Loss.

For the years ended December 31, 2023 and 2022, we recognized \$21.5 million and \$1.6 million of restructuring costs relating to the Business Combination under the multi-year integration program and synergy realization, respectively, that are included in cost of revenue, selling, general and administrative expenses and research and development expenses in the Consolidated Statement of Loss.

A reconciliation of the beginning and ending restructuring liability, which is included in accrued wages and benefits and accrued expenses and other liabilities in the Consolidated Balance Sheets as of December 31, 2024 and 2023, is as follows:

<i>(In thousands)</i>	2024	2023
<b>Balance at beginning of period</b>	\$ 8,309	\$ 159
Plus: Amounts charged to cost and expense	40,545	22,241
Less: Amounts paid	(38,518)	(14,091)
<b>Balance at end of period</b>	<u>\$ 10,336</u>	<u>\$ 8,309</u>

Restructuring expenses included in the Consolidated Statements of Loss are for the years ended December 31, 2024, 2023 and 2022:

<i>(In thousands)</i>	2024	2023	2022
Network solutions - cost of revenue	\$ 3,693	\$ 2,910	\$ 8
Network solutions - inventory write-down	8,597	24,313	—
Services & support - cost of revenue	2,289	—	—
<b>Cost of revenue</b>	<u>\$ 14,579</u>	<u>\$ 27,223</u>	<u>\$ 8</u>
Selling, general and administrative expenses	9,128	11,603	117
Research and development expenses	20,973	7,728	1,504
<b>Total restructuring expenses</b>	<u>\$ 44,680</u>	<u>\$ 46,554</u>	<u>\$ 1,629</u>

The following table represents the components of restructuring expense by geographic area for the years ended December 31, 2024, 2023 and 2022:

<i>(In thousands)</i>	2024	2023	2022
United States	\$ 18,422	\$ 34,629	\$ 2
International	26,258	11,925	1,627
<b>Total restructuring expenses</b>	<u>\$ 44,680</u>	<u>\$ 46,554</u>	<u>\$ 1,629</u>

## Note 21 – Current Expected Credit Losses

Under ASC 326 – Financial Instruments – Credit Losses, the Company estimates credit losses for the contractual life of assets that are measured at amortized cost and are within the scope of this guidance, which includes accounts receivable, net investment in sales-type leases, contract assets under the revenue recognition model and outstanding notes receivable. Where appropriate, the Company pools assets if similar risk characteristics exist. Additionally, the Company analyzes its available-for-sale debt securities for impairment and records a credit loss allowance as needed.

### *Assets Measured at Amortized Cost*

#### *Accounts Receivable*

The Company records accounts receivable in the normal course of business as products are shipped or services are performed and invoiced, but payment has not yet been remitted by the customer. Accounts receivable balances are considered past due when payment has not been received by the date indicated on the relevant invoice or based on agreed upon terms between the customer and the Company. As of December 31, 2024 and 2023, the Company's net outstanding accounts receivable balance was \$178.0 million and \$216.4 million, respectively. The Company assessed the need for an allowance for credit losses related to its outstanding accounts receivable using the historical loss-rate method as well as assessing asset-specific risks. The Company's historical losses related to accounts receivable have been immaterial as evidenced by its historical allowance and write-offs due to collectability. The assessment of asset-specific risks included the evaluation of relevant available information, from internal and external sources, relating to current conditions that may affect a customer's ability to pay, such as the customer's current financial condition, credit rating by geographic location, as provided by a third party and/or by customer, if needed, and the overall macro-economic conditions in which the customer operates. The Company pooled assets by geographic location to determine if an allowance should be applied to its accounts receivable balance, assessing the specific country risk rating and overall economics of that particular country. If elevated risk existed, or customer

specific risk indicated the accounts receivable balance was at risk, the Company further analyzed the need for an allowance related to specific accounts receivable balances. Additionally, the Company determined that significant changes to customer country risk rating from period-to-period and from the end of the prior year to the end of the current quarter would require further review and analysis by the Company.

Credit losses totaling \$1.3 million and \$0.4 million were recorded for the years ended December 31, 2024 and 2023, respectively, related to accounts receivable.

#### *Contract Assets*

The Company records contract assets when it has recognized revenue but has not yet billed the customer. As of December 31, 2024 and 2023, the Company's outstanding contract asset balance was \$0.6 million and \$0.7 million, respectively, which is included in other receivables on the Consolidated Balance Sheets. The Company assessed the need for an allowance for credit losses related to its outstanding contract assets using the historical loss-rate method as well as asset-specific risks. The Company's historical losses related to contract assets receivable have been immaterial as evidenced by historical write-offs due to collectability. Asset-specific risk included the evaluation of relevant available information, from internal and external sources, relating to current conditions that may affect a customer's ability to pay once invoiced, such as the customer's financial condition, credit rating by geographic location as provided by a third party and/or by customer, if needed, and the overall macro-economic conditions in which the customer operates. The Company pooled assets by geographic location to determine if an allowance should be applied to its contract asset balance, assessing the specific country risk rating and the overall economics of that particular country. If elevated risk existed, or customer specific risk indicated the contract balance was at risk, the Company further analyzed the need for an allowance related to specific customer balances. Additionally, the Company determined that significant changes to customer country risk rating from period-to-period and from the end of the prior year to the end of the current quarter would be subject to further review and analysis by the Company.

No allowance for credit losses was recorded for the years ended December 31, 2024 and 2023 related to contract assets.

#### *Off-Balance Sheet Arrangements*

We have exposure to credit losses from off-balance sheet exposures, to provide various guarantees of performance such as bid bonds, performance bonds and customs bonds, where we believe the risk of loss is immaterial to our financial statements as of December 31, 2024 and 2023, respectively. Otherwise, we do not have off-balance sheet financing arrangements and have not engaged in any related party transactions or arrangements with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of or requirements for capital resources. *See Note 18 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report for additional information.*

#### *Available-for-Sale Debt Securities*

As of December 31, 2024 and 2023 the Company had sold all available-for-sale debt securities.

## ***ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***

---

None.

### ***ITEM 9A. CONTROLS AND PROCEDURES***

---

#### *Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures that are designed to ensure that the information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the rules and forms promulgated by the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, an evaluation was carried out by management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that due to the material weaknesses in our internal control over financial reporting described below, our disclosure controls and procedures were not effective as of December 31, 2024.

#### *Management's Report on Internal Control over Financial Reporting*

Management of ADTRAN Holdings, Inc. (“Adtran”) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Adtran’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Adtran’s internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Adtran;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Adtran are being made only in accordance with authorizations of management and directors of Adtran; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Adtran’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Adtran’s internal control over financial reporting as of December 31, 2024. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in *Internal Control-Integrated Framework* (2013).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. In its assessment of the effectiveness of internal control over financial reporting as of December 31, 2024, management determined that there were deficiencies in Adtran’s internal control over financial reporting that constituted material weaknesses that existed as of December 31, 2024. Such material weaknesses were as follows:

- Adtran did not design and maintain effective controls in response to the risks of material misstatement. Specifically, changes to existing controls or the implementation of new controls have not been sufficient to respond to changes to the risks of material misstatement to financial reporting. This material weakness contributed to the following additional material weaknesses:
- Adtran did not design and maintain effective controls over financial statement preparation, presentation and disclosure commensurate with its financial reporting requirements. Specifically, Adtran did not design and maintain effective controls over the presentation and disclosure of transactions, including non-controlling interest.
- Adtran did not design and maintain effective controls to address the initial application of complex accounting standards and accounting of non-routine, unusual or complex events and transactions. Specifically, Adtran did not design and maintain

effective controls to timely analyze and account for (i) non-controlling interest and (ii) the receivable purchase and servicing agreement.

The material weaknesses resulted in the restatements and revisions of immaterial adjustments to our consolidated financial statements for the years ended December 31, 2022, and December 31, 2023, as well as the condensed consolidated financial statements for the quarterly and year-to-date periods ended September 30, 2022, March 31, 2023, June 30, 2023, September 30, 2023, March 31, 2024, and June 30, 2024. The material weaknesses also resulted in material adjustments to our consolidated financial statements for the year ended December 31, 2023. The material weaknesses also resulted in immaterial adjustments to our consolidated financial statements for the years ended December 31, 2023 and December 31, 2024, as well as the condensed consolidated financial statements for the quarterly and year-to-date periods ended March 31, 2023, June 30, 2023, September 30, 2023, March 31, 2024, June 30, 2024, and September 30, 2024. Additionally, these material weaknesses could result in misstatements of Adtran's accounts or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Because of these material weaknesses, management has concluded that Adtran did not maintain effective internal control over financial reporting as of December 31, 2024.

The effectiveness of Adtran's internal control over financial reporting as of December 31, 2024 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Item 8.

#### *Management's Remediation Efforts*

To remediate the material weaknesses in Adtran's internal control over financial reporting related to the risks of material misstatement, including financial statement preparation, presentation and disclosure of transactions and the non-controlling interest, Adtran has implemented a remediation plan that involves introducing new or enhanced controls over the review of Adtran's consolidated financial statements, global identification and reassessment of all key process and controls, increased training and awareness of control activities, and increased scrutiny on control performance and documentation standards. Adtran believes that the foregoing actions will support the improvement of the Company's internal control over financial reporting, and, through our efforts to identify, design, and implement the necessary control activities, will be effective in remediating such material weaknesses.

To remediate the material weaknesses in Adtran's internal control over financial reporting relating to accounting of non-routine, unusual or complex events and transactions for non-controlling interest and the receivable purchase and servicing agreement, Adtran has prepared a remediation plan that included designing and implementing new controls over the identification and review of contracts, transactions or arrangements that may result in a financial obligation including the use of an accounting third-party consultant as needed to ensure proper presentation of these items within our financial statements. These controls have been in place since the third quarter of 2024.

We have implemented the above-referenced controls and are in the process of testing their effectiveness. We will continue to devote significant time and attention to these remediation efforts. Adtran continues to evaluate and work to improve our internal control over financial reporting, management may decide to take additional measures to address the material weaknesses or determine to modify the remediation plans described above. Until the remediation steps set forth above, including the implementation of all necessary control activities that we identify, are fully completed, and there has been time for us to conclude through testing that the control activities are operating effectively, the material weaknesses described above will not be considered remediated.

#### *Changes in Internal Control over Financial Reporting.*

There were no changes in Adtran's internal control over financial reporting that occurred during the most recent fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

#### **ITEM 9B. OTHER INFORMATION**

(a) None.

(b) During the fiscal quarter ended December 31, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

#### **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

## **PART III**

### ***ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE***

---

#### **Code of Ethics**

We have adopted a Code of Business Conduct and Ethics, which applies to all employees, officers and directors of ADTRAN. The Code of Business Conduct and Ethics meets the requirements of a "code of ethics" as defined by Item 406 of Regulation S-K, and applies to our Chief Executive Officer, Chief Financial Officer (who is both our principal financial and principal accounting officer), as well as all other employees, as indicated above. The Code of Business Conduct and Ethics also meets the requirements of a code of conduct under NASDAQ listing standards. The Code of Business Conduct and Ethics is posted on our website at [www.adtran.com](http://www.adtran.com) under the links "About – Investor Relations – Corporate Governance – Charters and Documents." We intend to disclose any amendments to the Code of Business Conduct and Ethics, as well as any waivers for executive officers or directors, on our website at [www.adtran.com](http://www.adtran.com). The information found on our website is not incorporated by reference in this report or any other report that we file or furnish to the SEC.

Certain information required by this Item regarding Adtran's executive officers is included in Part I of this report under the caption "Information about our Executive Officers" in accordance with the Instructions to Item 401 of Regulation S-K.

Other information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from Adtran's definitive Proxy Statement for the 2025 Annual Meeting of Stockholders (the "2025 Proxy Statement") to be filed with the SEC pursuant to Regulation 14A.

#### **Insider Trading Policy**

We have adopted the ADTRAN Holdings, Inc. Insider Trading Policy (the "Insider Trading Policy"), which applies to all directors, officers, employees, independent contractors, and consultants of the Company and its subsidiaries, as well as certain other persons. The Insider Trading Policy is designed to promote compliance with U.S. federal and state securities laws, rules and regulations, as well as European Regulation No. 596/2014 and the applicable rules and regulations of The Nasdaq Stock Market, LLC, with respect to the purchase, sale and/or disposition of the Company's securities (and the securities of other companies in certain circumstances). The Insider Trading Policy addresses the implementation of certain trading blackout periods in the Company's securities for Company insiders. A copy of the Insider Trading Policy is filed as Exhibit 19 to this 2024 Form 10-K.

### ***ITEM 11. EXECUTIVE COMPENSATION***

---

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the 2025 Proxy Statement to be filed with the SEC pursuant to Regulation 14A.

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table provides information about our common stock that may be issued under all of our existing equity compensation plans as of December 31, 2024, , which include the 2006 Employee Plan, the 2010 Directors Plan, the 2015 Employee Plan, the 2020 Employee Plan and the 2020 Directors Plan (collectively, the “Prior Plans”), the 2024 Employee Stock Incentive Plan (“2024 Employee Plan”) and the 2024 Directors Stock Plan (“2024 Directors Plan”) (collectively, the “Plans”). Each of the Plans has been approved by our stockholders.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)(1)	Weighted average exercise price of outstanding options, warrants and rights (b)(1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)(2)
<i>(In thousands)</i>			
<b>Plan Category</b>			
Equity compensation plans approved by stockholders	2,944	\$ 9.86	5,051
Equity compensation plans not approved by stockholders	—	—	—
<b>Total</b>	<b>2,944</b>	<b>\$ 9.86</b>	<b>5,051</b>

(1) Excludes 1.0 million of target PSUs and 2.2 million of time-based RSUs outstanding under our 2024 Employee Stock Incentive Plan and 0.1 million shares of time-based restricted stock outstanding under our 2024 Directors Plan. The outstanding stock options have a weighted average remaining term of 5.0 years.

(2) Represents 4.5 million shares of common stock available for future issuance pursuant to the 2024 Employee Plan and 0.6 million shares of common stock available for future issuance pursuant to the 2024 Directors Plan. Following the stockholders’ approval of the 2024 Employee Plan and the 2024 Directors Plan were approved by the stockholders, we are no longer making any future grants under the Prior Plans, but certain shares underlying awards that are forfeited, cancelled or terminated under the Prior Plans will again be available for issuance under the 2024 Employee Plan and the 2024 Directors Plan, as applicable.

The other information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the 2025 Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the 2025 Proxy Statement to be filed with the SEC pursuant to Regulation 14A.

## **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the 2025 Proxy Statement to be filed with the SEC pursuant to Regulation 14A.

## PART IV

### ***ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***

---

#### Documents Filed as Part of This Report.

##### 1. Consolidated Financial Statements

The consolidated financial statements of Adtran and the report of independent registered public accounting firm thereon are set forth under Part II, Item 8 of this report.

Consolidated Balance Sheets as of December 31, 2024 and 2023

Consolidated Statements of Loss for the years ended December 31, 2024, 2023 and 2022

Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2024, 2023 and 2022

Consolidated Statements of Changes in Equity for the years ended December 31, 2024, 2023 and 2022

Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023 and 2022

Notes to Consolidated Financial Statements

##### 2. Consolidated Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

##### 3. Exhibits

The following exhibits are filed with or incorporated by reference in this report. Where such filing is made by incorporation by reference to a previously filed registration statement or report, such registration statement or report is identified in parentheses. We will furnish any exhibit upon request to: ADTRAN Holdings, Inc., Attn: Investor Relations, 901 Explorer Boulevard, Huntsville, Alabama 35806. There is a charge of \$0.50 per page to cover expenses for copying and mailing.

Effective as of July 8 2022, ADTRAN Holdings, Inc. became the successor to ADTRAN, Inc. Any reference to "ADTRAN, Inc." in these exhibits should be read as "ADTRAN Holdings, Inc." as set forth in the Exhibit List below.

Furthermore, effective June 8, 2023, ADVA Optical Networking SE ("ADVA"), a subsidiary of ADTRAN Holdings, Inc., changed its name to Adtran Networks SE. By operation of law, any reference to ADVA Optical Networking SE in these exhibits should be read as Adtran Networks SE as set forth in the Exhibit List below.

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
2.1	Business Combination Agreement, dated August 30, 2021, by and among ADTRAN Holdings, Inc., Acorn HoldCo, Inc., Acorn MergeCo, Inc. and Adtran Networks SE (incorporated by reference to Exhibit 2.1 to Adtran's Form 8-K filed August 30, 2021)
3.1	Amended and Restated Certificate of Incorporation of ADTRAN Holdings, Inc. (incorporated by reference to Exhibit 3.1 to Adtran's Form 8-K filed July 8, 2022)
3.2	Second Amended and Restated Bylaws of ADTRAN Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed October 24, 2023)
4.1*	Description of Securities
10.1	Management Contracts and Compensatory Plans: <ul style="list-style-type: none"><li>(a) ADTRAN Holdings, Inc. 2006 Employee Stock Incentive Plan (incorporated by reference to Exhibit 4.1 to Adtran's Registration Statement on Form S-8 (File No. 333-133927) filed May 9, 2006)</li><li>(b) First Amendment to the ADTRAN Holdings, Inc. 2006 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.3(h) to Adtran's 2007 Form 10-K filed February 28, 2008)</li><li>(c) Form of Nonqualified Stock Option Agreement under the 2006 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 8, 2006)</li></ul>



- (d) Form of Incentive Stock Option Agreement under the 2006 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed June 8, 2006)
- (e) ADTRAN Holdings, Inc. 2015 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed May 15, 2015)
- (f) Form of Option Award Agreement under the ADTRAN Holdings, Inc. 2015 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.3(p) to the Company's Form 10-K filed February 25, 2020)
- (g) ADTRAN Holdings, Inc. Deferred Compensation Program for Employees, as amended and restated as of June 1, 2010 (incorporated by reference to Exhibit 10.3(n) to the Company's Form 10-K filed February 24, 2016)
- (h) ADTRAN Holdings, Inc. Deferred Compensation Program for Directors, as amended and restated as of June 1, 2010 (incorporated by reference to Exhibit 10.3(o) to the Company's Form 10-K filed February 24, 2016)
- (i) ADTRAN Holdings, Inc. Equity Deferral Program for Employees, as amended and restated as of October 1, 2011 (incorporated by reference to Exhibit 10.3(p) to the Company's Form 10-K filed February 24, 2016)
- (j) ADTRAN Holdings, Inc. Equity Deferral Program for Directors, as amended and restated as of October 1, 2011 (incorporated by reference to Exhibit 10.3(q) to the Company's Form 10-K filed February 24, 2016)
- (k) Amended and Restated ADTRAN Holdings, Inc. 2020 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1(t) to the Company's Form 10-K filed March 1, 2023)
- (l) Form of Notice Letter with respect to RSU and PSU awards under the ADTRAN Holdings, Inc. 2020 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.3 (ae) to the Company's Form 10-K filed February 26, 2021)
- (m) Form of Adtran Sales Incentive Compensation Program – General Terms (participants include James D. Wilson) (incorporated by reference to Exhibit 10.3(ad) to the Company's Form 10-K filed February 26, 2021)

- (n) Form of Market-Based Performance Stock Unit Agreement under the ADTRAN Holdings, Inc. 2020 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed May 6, 2021)
- (o) Form of Restricted Stock Unit Agreement under the ADTRAN Holdings, Inc. 2020 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed May 6, 2021)
- (p) Form of Performance Share Agreement (and Notice Letter) under the ADTRAN Holdings, Inc. 2020 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed May 6, 2021)
- (q) Form of Stock Option Award Agreement under the ADTRAN, Inc. 2020 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed December 5, 2023)
- (r) Summary of Terms of Assumed Options (incorporated by reference to Exhibit 4.1 to the Company's Form S-8 filed July 11, 2022)
- (s)(i) Employment Agreement, dated July 13, 2022, by and between Thomas R. Stanton and ADTRAN Holdings, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed July 15, 2022) ("CEO Employment Agreement")
- (s)(ii) First Amendment to the CEO Employment Agreement dated March 29, 2023 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed April 3, 2023).
- (t) Amended and Restated Variable Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed January 26, 2023)
- (u)\* † Form of 2025 Variable Incentive Compensation Plan Award Letter
- (v) † Form of 2022 Integration Award Agreement for ADTRAN Holdings, Inc. (incorporated by reference to Exhibit 10.1(ag) to the Company's Annual Report on Form 10-K filed March 1, 2023)
- (w) ADTRAN Holdings, Inc. 2024 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed May 9, 2024)
- (x) ADTRAN Holdings, Inc. 2024 Directors Stock Plan (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed May 9, 2024)
- (y)\* Form of Market-Based Performance Stock Unit Agreement under the ADTRAN Holdings, Inc. 2024 Employee Stock Incentive Plan
- (z)\* Form of Restricted Stock Unit Agreement under the ADTRAN Holdings, Inc. 2024 Employee Stock Incentive Plan
- (aa)(i) Employment Agreement, dated January 28, 2015, and Amendment Nos. 1-9, by and between Adtran Networks SE and Ulrich Dopfer (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed March 30, 2023)
- (aa)(ii) † Eighth Amendment, dated May 26, 2023 including Exhibit 1 thereto, to the Employment Agreement by and between Adtran Networks SE and Ulrich Dopfer (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 1, 2023)
- (aa)(iii) Ninth Amendment, dated December 4, 2023, to the Employment Agreement by and between Adtran Networks SE and Ulrich Dopfer (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed December 5, 2023)
- (aa)(iv) † Tenth Amendment Employment Agreement, dated August 27, 2024, by and between Adtran Networks SE and Ulrich Dopfer (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed August 30, 2024)
- (bb)(i) Service Agreement, dated September 29, 2006 and Amendment Nos. 1-16, by and between Adtran Networks and Christoph Glingener (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed April 3, 2023)

- (bb)(ii) Seventeenth Amendment, dated March 28, 2023, to Service Agreement by and between Adtran Networks SE and Christoph Glingener (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed April 3, 2023)
  - (bb)(iii) Exhibit 1 to the Seventeenth Amendment, dated March 28, 2023 and executed May 31, 2023, to the Service Agreement by and between Adtran Networks SE and Christoph Glingener (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed June 1, 2023)
  - (bb)(iv) Eighteenth Amendment, dated December 4, 2023, to the Service Agreement by and between Adtran Networks SE and Christoph Glingener (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed December 5, 2023)
  - (bb)(v) Nineteenth Amendment to Service Agreement, dated August 27, 2024, by and between Adtran Networks SE and Christoph Glingener (incorporated by reference to exhibit 10.1 to the Company's Form 8-K filed August 30, 2024)
  - (cc) Consulting Agreement, dated June 28, 2023, by and between ADTRAN Holdings, Inc. and Michael Foliano (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 28, 2023)
  - (dd) ADTRAN Holdings, Inc. Amended and Restated Clawback Policy (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed October 24, 2023)
  - (ee) Separation Agreement, dated December 4, 2023, by and between the Company and Ronald D. Centis (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed December 6, 2023)
- 
- 10.2+ Credit Agreement dated July 18, 2022, by and among ADTRAN Holdings, Inc. and ADTRAN, Inc. as borrowers, in favor of Wells Fargo Bank, National Association as lender (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed July 22, 2022)
  - 10.3+ First Amendment to Credit Agreement, dated August 9, 2023, by and between ADTRAN Holdings, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.7 to the Company's Form 10-Q filed August 14, 2023)
  - 10.4+ Second Amendment to Credit Agreement and First Amendment to Collateral Agreement, dated as of January 16, 2024, by and among ADTRAN Holdings, Inc., ADTRAN, Inc., Wells Fargo Bank, National Association, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed January 22, 2024)
  - 10.5 Third Amendment to Credit Agreement, dated as of March 12, 2024, by and among ADTRAN Holdings, Inc., ADTRAN, Inc., Wells Fargo Bank, National Association, and the lenders party thereto (incorporated by reference to Exhibit 10.5 to the Company's Form 10-K filed March 15, 2024)
  - 10.6 Fourth Amendment to Credit Agreement, dated as of June 4, 2024, by and among ADTRAN Holdings, Inc., ADTRAN, Inc., Adtran Networks SE, Wells Fargo Bank, National Association, and the lenders party thereto (incorporated by reference to exhibit 10.1 to the Company's Form 8-K filed June 10, 2024)
  - 10.7+ Collateral Agreement dated July 18, 2022, by and among ADTRAN Holdings, Inc., ADTRAN, Inc., and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed July 22, 2022)
  - 10.8 ADVA Domestic Collateral Agreement, dated as of June 4, 2024, by and among ADVA NA Holdings, Inc., Adtran Networks North America, Inc., and Adtran Networks SE, in favor of Wells Fargo Bank, National Association (incorporated by reference to exhibit 10.1 to the Company's Form 8-K filed June 10, 2024)
  - 10.9 Guaranty Agreement dated July 18, 2022, by and between ADTRAN Holdings, Inc. and ADTRAN, Inc. in favor of Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed July 22, 2022)
  - 10.10 ADVA Guaranty Agreement, dated as of June 4, 2024 by and between ADVA NA Holdings, Inc., Adtran Networks North America, Inc., Adtran Networks (UK) Limited, in favor of Wells Fargo Bank, National Association (incorporated by reference to exhibit 10.1 to the Company's Form 8-K filed June 10, 2024)

10.11	Domination and Profit and Loss Transfer Agreement between ADTRAN Holdings, Inc. and Adtran Networks SE, dated November 30, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed December 5, 2022)
19*	ADTRAN Holdings, Inc. Insider Trading Policy
21*	Subsidiaries of Adtran.
23*	Consent of PricewaterhouseCoopers LLP.
24*	Powers of Attorney.
31*	Rule 13a-14(a)/15d-14(a) Certifications.
32*	Section 1350 Certifications.
97	ADTRAN Holdings, Inc. Policy for the Recovery of Erroneously Awarded Incentive Based Compensation (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed October 24, 2023)
101	The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2024, formatted in inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Loss, (iii) Consolidated Statements of Comprehensive (Loss) Income, (iv) Consolidated Statements of Changes in Equity, (v) Consolidated Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements, and (vii) Schedule II – Valuation and Qualifying Accounts
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)

---

\* Furnished or filed herewith, as applicable

+ Schedules and exhibits omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish a copy of any omitted schedule or exhibit to the SEC upon request.

† Certain identified information has been excluded from these exhibits because it is not material and is the type of information that the Company customarily and actually treats as private and confidential. Redacted information is indicated by [ ] or [\*\*\*].

## ITEM 16. FORM 10-K SUMMARY

Adtran has elected not to provide a summary of the information contained in this report at this time.

### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on this 3rd day of March 2025.

#### ADTRAN Holdings, Inc. (Registrant)

By: /s/ Ulrich Dopfer  
Ulrich Dopfer  
Chief Financial Officer  
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 3, 2025.

<u>Signature</u>	<u>Title</u>
<u>/s/ Thomas R. Stanton</u> Thomas R. Stanton	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
<u>/s/ Ulrich Dopfer</u> Ulrich Dopfer	Chief Financial Officer (Principal Accounting Officer)
<u>/s/ H. Fenwick Huss*</u> H. Fenwick Huss	Director
<u>/s/ Gregory McCray*</u> Gregory McCray	Director
<u>/s/ Balan Nair*</u> Balan Nair	Director
<u>/s/ Jacqueline H. Rice*</u> Jacqueline H. Rice	Director
<u>/s/ Nikos Theodosopoulos*</u> Nikos Theodosopoulos	Director
<u>/s/ Kathryn A. Walker*</u> Kathryn A. Walker	Director

\*By: /s/ Ulrich Dopfer  
Ulrich Dopfer as Attorney in Fact

**ADTRAN Holdings, Inc.**

**SCHEDULE II  
VALUATION AND QUALIFYING ACCOUNTS**

<i>(In thousands)</i>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs &amp; Expenses</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
<b><i>Year ended December 31, 2024</i></b>				
Allowance for Credit Losses	\$ 400	900	—	\$ 1,300
Deferred Tax Asset Valuation Allowance	\$ 86,567	24,483	90	\$ 110,960
<b><i>Year ended December 31, 2023</i></b>				
Allowance for Credit Losses	\$ 49	351	—	\$ 400
Deferred Tax Asset Valuation Allowance	\$ 5,201	81,590	224	\$ 86,567
<b><i>Year ended December 31, 2022</i></b>				
Allowance for Credit Losses	\$ —	49	—	\$ 49
Deferred Tax Asset Valuation Allowance	\$ 50,564	—	45,363	\$ 5,201

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-K/A**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2024

☐ **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 000-41446

**ADTRAN Holdings, Inc.**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction of Incorporation or Organization)

901 Explorer Boulevard  
Huntsville, Alabama  
(Address of Principal Executive Offices)

87-2164282  
(I.R.S. Employer Identification Number)

35806-2807  
(Zip code)

256-963-8000

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, Par Value \$0.01	ADTN	The Nasdaq Global Select Market

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 12 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's outstanding common stock held by non-affiliates of the registrant on June 30, 2024 was \$410,464,716 based on a closing market price of \$5.26 as reported on the NASDAQ Global Select. There were 79,860,033 shares of common stock outstanding as of February 28, 2025.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive Proxy Statement on Schedule 14A for the registrant's 2025 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on March 31, 2025 are incorporated herein by reference into Part III of this report to the extent described in Part III.

## EXPLANATORY NOTE

ADTRAN Holdings, Inc. (“ADTRAN,” the “Company,” “we,” “us” or “our”) is filing this Amendment No. 1 on Form 10-K/A (this “Amendment No. 1” or “Form 10-K/A”) to amend and restate certain portions of the Company’s Annual Report on Form 10-K for the year ended December 31, 2024 filed with the U.S. Securities and Exchange Commission (the “SEC”) on March 3, 2025 (the “Original Filing”). Financial information of Fiscal 2023 and the 2024 Interim Periods (each as defined below) is also restated within this Amendment No. 1.

As previously disclosed in the Company’s Current Report on Form 8-K furnished to the SEC on April 16, 2025 (the “Form 8-K”), the Company’s majority-owned subsidiary, Adtran Networks SE (“Networks”), published an ad hoc notification in Germany on April 15, 2025 (the “Ad Hoc Notification”), disclosing that, in the course of finalizing Networks’ statutory financial statements for its fiscal year ended December 31, 2024, Networks identified an adjustment to inventory resulting in an increase to costs of goods sold, which resulted in a €5.7 million increase in the amount of Networks’ 2024 loss from that which was previously published in Networks’ preliminary financial results on February 27, 2025. The Form 8-K disclosed that the Company was in the process of assessing the impact of the adjustment to Networks’ 2024 financial results (the “Adjustment”) on the Company’s historical consolidated financial statements.

Subsequently, as disclosed in the Company’s preliminary earnings release dated May 7, 2025 (the “Preliminary Earnings Release”), the Company determined that the Adjustment to Networks’ 2024 financial results caused the Company’s financial statements for the year ended December 31, 2024 and the interim fiscal periods therein, and the year ended December 31, 2023, to be adjusted, as described in the Preliminary Earnings Release, which was attached as an exhibit to a Current Report on Form 8-K furnished by the Company to the SEC on May 8, 2025.

On May 13, 2025, the Audit Committee of the Board of Directors (the “Audit Committee”) of the Company concluded, after considering the recommendations of management, that the Company’s (i) audited consolidated financial statements as of and for the years ended December 31, 2024 (“Fiscal 2024”) and December 31, 2023 (“Fiscal 2023”) included in the Original Filing and (ii) unaudited condensed consolidated financial statements as of and for the interim periods ended March 31, 2024, June 30, 2024 and September 30, 2024 (the “2024 Interim Periods”) included in the Company’s Quarterly Reports filed with the SEC on May 10, 2024, August 9, 2024, and November 12, 2024, respectively (such 2024 Interim Periods, collectively with Fiscal 2024 and the 2024 Interim Periods, the “Affected Periods”), as well as the relevant portions of any communications which describe or are based on such financial statements, should no longer be relied upon.

In addition to the corrections to reflect the impact of the Adjustment on its financial statements, the Company has also corrected other immaterial errors in connection with the restatement of the financial statements with respect to each of the Affected Periods. A summary description of the significant errors in the Company’s Consolidated Financial Statements for the Affected Periods are as follows:

- Pursuant to the terms of the DPLTA, each Adtran Networks shareholder (other than the Company) is entitled to receive from us an Annual Recurring Compensation payment of €0.52 per share. The Company erroneously accrued this liability every quarter at €0.59 per share, overstating the associated accrual, the net income attributable to non-controlling interest and the net loss attributable to ADTRAN Holdings, Inc. for fiscal periods beginning with the quarter ended March 31, 2023 through the quarter ended June 30, 2024.
- For the periods beginning with the quarter ended March 31, 2023 through the quarter ended June 30, 2024 the Company remeasured the redeemable non-controlling interest each quarter-end at the current exchange rate of euros to U.S. Dollar. The Company treated the redeemable non-controlling interest as a monetary mezzanine equity instrument but should have treated it as a non-monetary mezzanine equity instrument not subject to remeasurement.
- For the year ended December 31, 2023 through the year ended December 31, 2024, the Company understated cost of revenue and overstated inventory in the Company’s Adtran Networks subsidiary due to a system error. In addition, there were adjustments in the Company’s U.S and Australian subsidiaries related to inventory reserves that were understated.
- For the year ended December 31, 2023 through the year ended December 31, 2024, the Company understated goodwill and overstated income tax receivable. The understatement was attributable to corrections to goodwill and deferred income tax associated with goodwill for an internal divestiture of a wholly owned subsidiary required by statutory laws in Europe.

In addition to the misstatements identified above, the Company has corrected other immaterial errors. These other errors are quantitatively and qualitatively immaterial, individually and in the aggregate. However, the Company has corrected these other errors as part of the correction for the significant errors described above.

For additional information on the restated consolidated financial statements for Fiscal 2024 and Fiscal 2023, see *Note 1, Summary Of Significant Accounting Policies, of the Notes to Consolidated Financial Statements* in this Amendment No. 1. For additional information on the unaudited restated quarterly financial information for the 2024 Interim Periods, see *Note 22, Restatement of Quarterly Financial Information (Unaudited)*, of the Notes to Consolidated Financial Statements in this Amendment No. 1.

Furthermore, in connection with the identification of the Adjustment, the Audit Committee has overseen an internal investigation into the circumstances surrounding the Adjustment and its impact on the Company’s historical financial statements. Based on the findings of the internal investigation, which is substantially complete, it has been determined that the underlying error giving rise to the Adjustment were not properly addressed in the Company’s previously filed financial statements as of and for Fiscal 2024 and Fiscal 2023 and was not communicated to the Audit Committee or the independent auditors prior to the filing of the initial 2024 Annual Report



on Form 10-K. As described in Item 9A of this Amendment No. 1, the Company is taking remedial actions to address the material weaknesses in its internal controls associated with these findings.

As a result of the above described errors and the identification of additional material weaknesses (described further in Part II, Item 9A), the Company is filing this Amendment No. 1 to (i) restate the disclosure on the effectiveness of the Company's disclosure controls and procedures and restate management's report on internal control over financial reporting in Part II, Item 9A of the Original Filing to reflect the additional material weaknesses, (ii) restate the Company's consolidated financial statements to reflect the correction of the errors described above, including with respect to each of the Affected Periods, and to correct certain disclosure related to the appraisal proceedings in connection with the Domination and Profit and Loss Transfer Agreement ("DPLTA"), (iii) update seven risk factors related to the Company's credit facility, material weaknesses, restatements, inventory levels, indebtedness, impairment charges, and the DPLTA, (iv) restate Part II, Item 7, MD&A, of the Original Filing solely to reflect the restated financial statements for Fiscal 2024 and Fiscal 2023 and to correct certain disclosure related to the DPLTA appraisal proceedings, (v) reissue the Report of the Independent Registered Public Accounting Firm, which appears in Part II, Item 8 of the Original Filing, and (vi) amend Part IV – Item 15 Exhibits and Financial Statement Schedules of the Original Filing to include currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer as required by Section 302 and 906 of the Sarbanes-Oxley Act of 2002, as well as a corrected version of Exhibit 10.1(z), the Form of Restricted Stock Unit Agreement under the ADTRAN Holdings, Inc. 2024 Employee Stock Incentive Plan, and to fix certain immaterial errors.

This Amendment No. 1 sets forth the Original Filing, as amended, in its entirety; however, there were no changes to any parts of the Original Filing other than the sections referenced in the immediately preceding paragraph. Moreover, pursuant to Rule 12b-15 promulgated by the SEC under the Securities Exchange Act of 1934, as amended, the Company has included the entire text of Part I, Item 1A, as well as Part II, Items 7, 8 and 9A and Part IV, Item 15, of the Original Filing in this Amendment No. 1. There have been no changes to the text of Part I, Item 1A or Part II, Items 7, 8 and 9A other than the changes stated in the immediately preceding paragraph. Other than as described above and through the inclusion with this Amendment No. 1 of new certifications by management, a new consent of PricewaterhouseCoopers LLP, an updated Exhibit 10.1(z), and a new signature page, this Amendment No. 1 speaks only as of the date of the Original Filing and does not amend, supplement, or update any information contained in the Original Filing to give effect to any subsequent events (including with respect to the cover page of the Original Filing, which has been updated only to present this filing as Amendment No. 1 and to update the reference to documents incorporated by reference into the Original Filing). Accordingly, this Amendment No. 1 should be read in conjunction with the Original Filing and the Company's reports (including any amendments thereto) filed with the SEC subsequent to the Original Filing.

**ADTRAN Holdings, Inc.**  
**Annual Report on Form 10-K**  
**For the Fiscal Year Ended December 31, 2024**

Table of Contents

	<b>Page Number</b>
Cautionary Note Regarding Forward-Looking Statements and Risk Factor Summary .....	6
Glossary of Selected Terms.....	9
<b>PART I</b>	
Item 1. Business.....	12
Item 1A. Risk Factors.....	25
Item 1B. Unresolved Staff Comments .....	44
Item 1C. Cybersecurity.....	44
Item 2. Properties.....	45
Item 3. Legal Proceedings .....	45
Item 4. Mine Safety Disclosures.....	45
<b>PART II</b>	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities .	46
Item 6. [Reserved] .....	48
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations .....	48
Item 7A. Quantitative and Qualitative Disclosures About Market Risk .....	70
Item 8. Financial Statements and Supplementary Data .....	72
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure .....	135
Item 9A. Controls and Procedures.....	135
Item 9B. Other Information.....	137
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.....	137
<b>PART III</b>	
Item 10. Directors, Executive Officers and Corporate Governance.....	138
Item 11. Executive Compensation.....	138
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters .....	139
Item 13. Certain Relationships and Related Transactions, and Director Independence.....	139
Item 14. Principal Accountant Fees and Services .....	139
<b>PART IV</b>	
Item 15. Exhibits and Financial Statement Schedules .....	140
Item 16. Form 10-K Summary .....	145
<b>SIGNATURES</b>	

## GENERAL

Unless the context otherwise indicates or requires, references in this Annual Report on Form 10-K/A to “Adtran,” the “Company,” “we,” “us” and “our” refer to ADTRAN, Inc. and its consolidated subsidiaries prior to the merger of Acorn MergeCo, Inc., a subsidiary of ADTRAN Holdings, Inc., with and into ADTRAN, Inc., on July 8, 2022, after which ADTRAN, Inc. became a wholly-owned direct subsidiary of ADTRAN Holdings, Inc. (the “Merger”), and to ADTRAN Holdings, Inc. and its consolidated subsidiaries following the Merger. Furthermore, unless the context otherwise indicates or requires, references in this Annual Report on Form 10-K/A to Adtran Networks refer to Adtran Networks SE (formerly ADVA Optical Networking SE).

\*\*\*

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. In addition, our names, logos and website names and addresses are owned by us or licensed by us. We also own or have the rights to copyrights that protect the content of our solutions. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this report are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks, trade names and copyrights.

This report may include trademarks, service marks or trade names of other companies. Our use or display of other parties’ trademarks, service marks, trade names or products is not intended to, and does not imply a relationship with, or endorsement or sponsorship of us by, the trademark, service mark or trade name owners.

\*\*\*

Unless otherwise indicated, information contained in this report concerning our industry and the markets in which we operate is based on information from independent industry and research organizations, other third-party sources (including industry publications, surveys and forecasts), and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of such industry and markets that we believe to be reasonable. Although we believe the data from these third-party sources is reliable, we have not independently verified any third-party information.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of Adtran. Adtran and its representatives may from time to time make written or oral forward-looking statements, including statements contained in this report, our other filings with the SEC and other communications with our stockholders. Any statement that does not directly relate to a historical or current fact is a forward-looking statement. Generally, the words “believe”, “expect”, “intend”, “estimate”, “anticipate”, “would”, “will”, “may”, “might”, “could”, “should”, “can”, “future”, “assume”, “plan”, “seek”, “predict”, “potential”, “objective”, “expect”, “target”, “project”, “outlook”, “forecast” and similar expressions identify forward-looking statements. We caution you that any forward-looking statements made by us or on our behalf are subject to uncertainties and other factors that could affect the accuracy of such statements. Forward-looking statements are based on management’s current expectations, as well as certain assumptions and estimates made by, and information available to, management at the time the statements are made. Those statements are based on general assumptions and are subject to various risks, and because they also relate to the future, they are likewise subject to inherent uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. These risks, uncertainties and other factors include, but are not limited to, the risks identified in Item 1A. “Risk Factors” of this report and those described below:

### ***Risks related to our financial results and Company success***

- We are obligated to comply with covenants related to our Wells Fargo Credit Agreement that could restrict our operating activities, and the failure to comply with such covenants could result in defaults that accelerates our debt obligations.
- We have experienced significant fluctuations in revenue and such fluctuations may continue. Fluctuations in revenue can cause our operating results in a given reporting period to be higher or lower than expected.
- Accurately matching necessary inventory levels to customer demand within the current environment is challenging, and we may incur additional costs or be required to write off significant inventory that would adversely impact our results of operations.
- The lengthy sales and approval process required by Service Providers for new products has resulted in fluctuations in our revenue and may result in future revenue fluctuations.
- We require a significant amount of cash to service our indebtedness, our payment obligations to Adtran Networks shareholders under the DPLTA, and other obligations.
- The terms of the DPLTA may have a material adverse effect on our financial results and condition.
- Our significant indebtedness exposes us to various risks.
- We depend heavily on sales to certain customers; the loss of any of these customers or a significant project would significantly reduce our revenue and net income.
- Our exposure to the credit risks of our customers and distributors may make it difficult to collect accounts receivable and could adversely affect our operating results, financial condition and cash flows.
- We expect gross margins to continue to vary over time, and our levels of product and services gross margins may not be sustainable.
- Our dependence on a limited number of suppliers for certain raw materials, key components and ODM products, combined with supply shortages, has prevented and may continue to prevent us from delivering our products on a timely basis, which has had and may continue to have a material adverse effect on operating results and could have a material adverse effect on customer relations.
- We compete in markets that have become increasingly competitive, which may result in reduced gross profit margins and market share.
- Our estimates regarding future warranty obligations may change due to product failure rates, installation and shipment volumes, field service repair obligations and other rework costs incurred in correcting product failures. If our estimates change, our liability for warranty obligations may increase or decrease, impacting future cost of revenue.
- Managing our inventory is complex and has included and may continue to include write downs of excess or obsolete inventory.
- Our international operations have and may continue to expose us to additional risks, increase our costs and adversely affect our operating results, financial condition and cash flows.
- Our success depends on attracting and retaining key personnel.
- We are exposed to adverse currency exchange rate fluctuations in jurisdictions where we transact in local currency, which could harm our financial results and cash flows.

- We have recognized impairment charges related to goodwill and other intangible assets in the past and may be required to do so in the future.
- We may be unable to successfully and effectively manage and integrate acquisitions, divestitures and other significant transactions, which could harm our operating results, business and prospects.
- Ongoing inflationary pressures have negatively impacted our revenue and profitability.

#### ***Risks related to our control environment***

- We have had to restate our previously issued consolidated financial statements and, as part of that process, have identified material weaknesses in our internal control over financial reporting. If we are unable to develop and maintain effective internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and may adversely affect our business, financial condition and results of operations.
- We may face litigation and other risks as a result of our material weaknesses in our internal control over financial reporting and any resulting restatement of our previously issued consolidated financial statements.
- Breaches of our information systems and cyberattacks could compromise our intellectual property and cause significant damage to our business and reputation.

#### ***Risks related to the telecommunications industry***

- We must continue to update and improve our products and develop new products to compete and to keep pace with improvements in communications technology.
- Our failure or the failure of our contract manufacturers to comply with applicable environmental regulations could adversely impact our results of operations.
- If our products do not interoperate with our customers' networks, installations may be delayed or canceled, which could harm our business.
- We engage in research and development activities to develop new, innovative solutions and to improve the application of developed technologies, and as a consequence may miss certain market opportunities enjoyed by larger companies with substantially greater research and development efforts and which may focus on more leading-edge development.
- Our strategy of outsourcing a portion of our manufacturing requirements to subcontractors located in various international regions may result in us not meeting our cost, quality or performance standards.
- Our failure to maintain rights to intellectual property used in our business could adversely affect the development, functionality and commercial value of our products.
- Third party hardware or software that is used with our portfolios may not continue to be available or at commercially reasonable terms.
- Our use of open source software could impose limitations on our ability to commercialize our products.
- We may incur legal related liabilities or become subject to litigation that would have a material effect on our business.
- If we are unable to successfully develop and maintain relationships with SIs, Service Providers and enterprise VARs, our revenue may be negatively affected.
- We depend on a third-party cloud platform provider to host our Mosaic One SaaS network and other operating platforms, and if we were to experience a material disruption or interference in service, our business and reputation could suffer.

#### ***Risks related to the Company's stock price***

- Our financial performance and operating results historically have fluctuated and are likely to continue to fluctuate in future periods, which may adversely affect our stock price.
- Future issuances of additional equity securities could result in dilution of existing stockholders' equity ownership.
- The price of our common stock has been volatile and may continue to fluctuate significantly.

#### ***Risks related to the regulatory environments in which we do business***

- We are subject to complex and evolving U.S. and foreign laws, regulations and standards governing the conduct of our business. Violations of these laws and regulations may harm our business, subject us to penalties and to other adverse consequences.

- Changes in trade policy in the U.S. and other countries, including the imposition of additional tariffs and the resulting consequences, may adversely impact our gross profits, gross margins, results of operations and financial condition.
- New or revised tax regulations, changes in our effective tax rate, recognition of a valuation allowance or assessments arising from tax audits may have an adverse impact on our results.
- Interest rate fluctuations could increase our costs of borrowing money and negatively impact our financial condition and future operations.
- Expectations relating to ESG considerations expose the Company to potential liabilities, increased costs, reputational harm, and other adverse effects on the Company's business.
- Further downgrades of the U.S. credit rating, impending automatic spending cuts or a government shutdown could negatively impact our liquidity, financial condition and earnings.

We caution investors that other factors may prove to be important in the future in affecting our operating results. New factors emerge from time to time, and it is not possible for us to predict all of these factors, nor can we assess the impact each factor, or a combination of factors, may have on our business.

You are further cautioned not to place undue reliance on these forward-looking statements because they speak only of our views as of the date that the statements were made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## **GLOSSARY OF SELECTED TERMS**

Below are certain acronyms, concepts and defined terms commonly used in our industry and in this report along with their meanings:

<b>Acronym/Concept/ Defined Term</b>	<b>Meaning</b>
ACI-E	Access Integrator Ethernet
Adtran Networks	Adtran Networks SE, a European stock corporation incorporated under the laws of the European Union and Germany
Adtran GmbH	ADTRAN Gesellschaft mit beschränkter Haftung; Limited liability subsidiary of ADTRAN, Inc. in Germany
ALM	Active line monitoring
AI	Artificial Intelligence
AOE	Advanced Operational Environment
APAC	Asia Pacific
ASU	Accounting Standards Update
ATIS	Alliance for Telecommunications Industry Solutions; Standards organization that develops technical and operational standards and solutions for the information and technology industry
BBF	Broadband Forum
Carrier	Entity that provides voice, data or video services to consumers and businesses
CBAM	Carbon Border Adjustment Mechanism
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPE	Customer-Premises Equipment
CSRD	Corporate Sustainability Reporting Directive
C-TPAT	United States Customs Trade Partnership Against Terrorism
DPLTA	Domination and Profit and Loss Transfer Agreement
DPU	Distribution Point Unit
DSL	Digital Subscriber Line
DSO	Days Sales Outstanding
EMEA	Europe, Middle East and Africa
EPON	Ethernet Passive Optical Network
ESG	Environmental, Social and Governance
ESPR	Environmentally Sustainable Products Regulation
Ethernet	Means of connecting computers over a LAN (as defined below)
ETSI	European Telecommunications Standards Institute
EU	European Union
EURIBOR	Euro Interbank Offered Rate
FCPA	Foreign Corrupt Practices Act
FOB	Free on Board
FTTN	Fiber to the Node
GDPR	General Data Protection Regulation
Gfast	Digital subscriber line protocol standard for local loops (telephone lines) shorter than 500 meters with performance targets between 100 Mbps (as defined below) and 1 gigabit per second, depending on loop length
GPON	Gigabit Passive Optical Network
hiX	ADTRAN Multiservice Access Platform sold in the EU
ICT	Information and Communications Technology
IoT	Internet of Things
IP	Internet Protocol

IPCEI ME/CT	Important Projects of Common European Interest - Microelectronics and Communication Technologies
ISDA	International Swaps and Derivatives Association
ISO	International Organization for Standardization
ITU-T	International Telecommunication Union – Telecommunication Standardization Sector
LAN	Local Area Network
Mbps	Megabits Per Second
MEF	Metro Ethernet Forum
MSO	Multiple System Operator
MSP	Managed Service Provider
NASDAQ	National Association of Securities Dealers Automated Quotations, an American stock exchange based in New York City
ODM	Original Design Manufacturer
OLT	Optical Line Terminal
ONE	Optical Networking Edge
ONT	Optical Network Terminal
Operator	Entity that provides voice, data or video services to consumers and businesses
OS	Operating System
OTT	Over the Top
PCAOB	Public Company Accounting Oversight Board
PON	Passive Optical Network
PSU	Performance Stock Unit
RNCI	Redeemable Non-Controlling Interest
RoHS	Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment
RSU	Restricted Stock Unit
SaaS	Software-as-a-Service
SDN	Software Defined Networking
SDX	Software Defined Everything
SDO	Standards Developing Organizations
SEC	Securities and Exchange Commission
Service Provider or SP	An entity that provides voice, data or video services to consumers and businesses
SLA	Service Level Agreement
SMB	Small- to Medium-sized Business
SOFR	Secured Overnight Financing Rate
System Integrator or SI	Person or company that specializes in bringing together component subsystems into a whole and ensuring that those subsystems function together
TIA	Telecommunications Industry Association
TIP	Telecom Infra-Project
TL 9000	Standard developed by and for the ICT industry to drive consistency in the quality of products and services down the supply chain through the implementation of a common body of QMS requirements and defined performance-based measurements
U.K.	United Kingdom
U.S.	United States
VAR	Value-Added Reseller
VoIP	Voice over Internet Protocol
WEEE	Waste from Electrical and Electronic Equipment directive
Wi-Fi	Family of wireless network protocols, based on the IEEE 802.11 family of standards, which are commonly used for local area networking of devices and Internet access



XGS-PON	Updated standard for PONs that can support 10 Gbps symmetrical data transfer
---------	--

## PART I

### **ITEM 1. BUSINESS**

---

#### **Company Overview**

ADTRAN Holdings, Inc. (“Adtran” or the “Company”) is a leading global provider of networking and communications platforms, software, systems and services focused on the metro optical transport, data center interconnect, and broadband access market, serving a diverse domestic and international customer base in multiple countries that includes large, medium and small Service Providers, alternative Service Providers, such as utilities, municipalities and fiber overbuilders, cable/MSOs, SMBs and distributed enterprises, including Fortune 500 companies with sophisticated business continuity applications; and federal, state and local government agencies. Our innovative solutions and services enable voice, data, video and internet-communications across a variety of network infrastructures and are currently in use by millions worldwide. We support our customers through our direct global sales organization and our distribution networks. Our success depends upon our ability to have customers adopt our technology, and increase unit volume and market share through the introduction of new products and succeeding generations of products having optimal selling prices and increased functionality as compared to both the prior generation of a product and to the products of competitors in order to gain market share. To service our customers and grow revenue, we are continually conducting research and developing new products addressing customer needs and testing those products for the specific requirements of the particular customers. We offer a broad portfolio of flexible software and hardware network solutions and services that enable Service Providers to meet today’s service demands, while enabling them to transition to the fully converged, scalable, highly-automated, cloud-controlled voice, data, internet and video network of the future. In addition to our global headquarters in Huntsville, Alabama, and our European headquarters in Munich, Germany, we have sales and research and development facilities in strategic global locations.

The Company solely owns ADTRAN, Inc. and is the majority shareholder of Adtran Networks SE (“Adtran Networks”). ADTRAN, Inc. is a leading global provider of open, disaggregated networking and communications solutions. Adtran Networks is a global provider of network solutions for data, storage, voice and video services. We believe that the combined technology portfolio can best address current and future customer needs for high-speed connectivity from the network core to the end consumer, especially upon the convergence of solutions at the network edge.

We operate under two reportable segments: (1) Network Solutions, which includes hardware and software products, and (2) Services & Support, which includes a portfolio of network design and implementation services, support services and cloud-hosted SaaS applications that complement our product portfolio and can be utilized to support other platforms as well. These two segments span across our three revenue categories: (1) Subscriber Solutions, (2) Access & Aggregation Solutions and (3) Optical Networking Solutions. See below for a detailed discussion of these reportable segments and revenue categories.

We are focused on being a top global supplier of fiber-based communications infrastructure and SaaS applications spanning from the network core to the cloud edge (data center) to the subscriber edge (customer premise) serving both the residential and enterprise connectivity markets including fiber-based infrastructure for mobile networks. We offer a broad portfolio of flexible network infrastructure solutions, customer premises equipment, software applications, and global services and support that enable Service Providers to meet their service demands now and in the future. These products and services enable Service Providers to transition to a common network supporting the simplified delivery of high-capacity services, regardless of subscriber density, network topology and infrastructure diversity.

We began operations in January 1986. Our global headquarters are located at Cummings Research Park in Huntsville, Alabama, the second largest research park in the U.S. and fourth largest in the world. Our mailing address is 901 Explorer Boulevard, Huntsville, Alabama, 35806. Our telephone number at that location is (800) 923-8726. Our website is [www.adtran.com](http://www.adtran.com). The information found on our website is not incorporated by reference in this report or any other report that we file or furnish to the SEC.

#### **Domination and Profit and Loss Transfer Agreement**

The DPLTA between the Company, as the controlling company, and Adtran Networks, as the controlled company, was executed on December 1, 2022 in connection with the Company’s business combination with Adtran Networks, and became effective on January 16, 2023. Pursuant to the DPLTA, the Company has effective control over Adtran Networks subject to the terms of DPLTA. *For more information on the DPLTA, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Adtran Networks Domination and Profit and Loss Transfer Agreement” in Part II, Item 7 of this report.*

**Reportable Segments**

Our business operates under two reportable segments: (1) Network Solutions and (2) Services & Support. We review our financial performance, specifically revenue and gross profit, based on these two segments.

*Network Solutions Segment*

The Network Solutions segment includes hardware and software products that enable a digital future which support the Company's Subscriber, Access and Aggregation, and Optical Networking Solutions. The Company's cloud-managed Wi-Fi gateways, virtualization software, and switches provide a mix of wired and wireless connectivity at the customer premises. In addition, its Carrier Ethernet products support a variety of applications at the network edge ranging from mobile backhaul to connecting enterprise customers ("Subscriber Solutions"). The Company's portfolio includes products for multi-gigabit service delivery over fiber or alternative media to homes and businesses.

*Services & Support Segment*

The Services & Support segment offers a comprehensive portfolio of network design, implementation, maintenance and cloud-hosted services supporting its Subscriber, Access & Aggregation, and Optical Networking Solutions. These services assist operators in the deployment of multi-vendor networks while reducing their cost to maintain these networks. The cloud-hosted services include a suite of SaaS applications under the Company's Mosaic One platform that manages end-to-end network and service optimization for both fiber access infrastructure and mesh Wi-Fi connectivity. The Company backs these services with a global support organization that offers on-site and off-site support services with varying SLAs.

**Revenue Categories**

In addition to operating under two reportable segments, we also report revenue across three categories – Subscriber Solutions, Access & Aggregation Solutions and Optical Networking Solutions.

**Our portfolio**



**Subscriber and enterprise solutions**  
Open multi-gig PON systems, Carrier Ethernet access, Wi-Fi, routers, switches and more



**Access and aggregation solutions**  
Fiber access platforms, 1/10/25/100G Ethernet aggregation, network timing and synchronization



**Optical networking solutions**  
Optical access and transport, data center interconnect, advanced pluggable optics, assurance and monitoring, encryption and security



**Software platforms**  
  
Open, cloud-centric management and orchestration



**Professional services**  
  
Scalable in-region services, including planning, deployment, and maintenance

Our Subscriber Solutions portfolio is used by Service Providers to terminate their access services infrastructure at the customer's premises while providing an immersive and interactive experience for residential, business and wholesale subscribers. This revenue category includes hardware- and software-based products and services. These solutions include fiber termination solutions for residential, business and wholesale subscribers, Wi-Fi access solutions for residential and business subscribers, Ethernet switching and network edge virtualization solutions for business subscribers, and cloud software solutions covering a mix of subscriber types.

The Subscriber Solutions category includes the following products, software and services:

Residential Gateways ("RGs"): <ul style="list-style-type: none"> <li>Residential Gateways</li> </ul>	Optical Networking Terminals ("ONTs"): <ul style="list-style-type: none"> <li>EPON ONUs</li> <li>GPON/XGS-PON ONTs</li> </ul>
Enterprise Connectivity: <ul style="list-style-type: none"> <li>Traditional SSE</li> <li>Routers</li> <li>Switches</li> </ul>	Edge Compute: <ul style="list-style-type: none"> <li>Edge Cloud (VEC)</li> </ul>
Carrier Ethernet Network Interface Devices ("CE NIDs"): <ul style="list-style-type: none"> <li>FSP 150-GE110</li> <li>FSP 150-XG100</li> <li>FSP 150-XG210</li> <li>FSP 150-XG300</li> <li>FSP 150-XG400-NIDs</li> </ul>	Software: <ul style="list-style-type: none"> <li>Mosaic One SaaS applications</li> <li>n-Command</li> <li>Procloud</li> </ul>
Service: <ul style="list-style-type: none"> <li>Build</li> <li>Care</li> <li>Training</li> <li>Professional Services</li> <li>Software Services</li> <li>Managed Services</li> </ul>	

Our Access & Aggregation Solutions are solutions that are used by communications Service Providers to connect residential subscribers, business subscribers and mobile radio networks to the Service Providers' metro network, primarily through fiber-based connectivity. This revenue category includes hardware- and software-based products and services. Our solutions within this category are a mix of fiber access and aggregation platforms, precision network synchronization and timing solutions, and access orchestration solutions that ensure highly reliable and efficient network performance.

The Access & Aggregation category includes the following products, software and services:

Optical Line Terminals ("OLTs"): <ul style="list-style-type: none"> <li>TA5000 OLT</li> <li>SDX OLT</li> <li>EPON OLT</li> <li>Pluggable Optics</li> </ul>	Optical Networking Terminals ("ONTs"): <ul style="list-style-type: none"> <li>EPON ONUs</li> </ul>
Packet Aggregation: <ul style="list-style-type: none"> <li>FSF 150-XG400 Aggregators</li> <li>SDX Aggregation</li> <li>Activator</li> </ul>	Copper Access: <ul style="list-style-type: none"> <li>Gfast DPUs</li> <li>hiX</li> <li>Total Access FTTN</li> <li>Traditional Broadband</li> </ul>
Oscilloquartz: <ul style="list-style-type: none"> <li>OSA AccessSync</li> <li>OSA Edge Sync</li> <li>OSA CoreSync</li> <li>OSA Inside</li> </ul>	Software: <ul style="list-style-type: none"> <li>MCP</li> <li>AOE and ACI-E</li> <li>Mosaic One SaaS Applications</li> <li>Mosaic Network Controller</li> </ul>

Service: <ul style="list-style-type: none"> <li>• Build</li> <li>• Care</li> <li>• Training</li> <li>• Professional Services</li> <li>• Software Services</li> <li>• Managed Services</li> </ul>	
--	--

Our Optical Networking Solutions are used by communications Service Providers, internet content providers and large-scale enterprises to securely interconnect metro and regional networks over fiber. This revenue category includes hardware- and software-based products and services. Our solutions within this category include open optical terminals, open line systems, optical subsystems and modules, network infrastructure assurance systems, and automation platforms that are used to build high-scale, secure and assured optical networks.

The Optical Networking Solutions category includes the following products, software and services:

Optical Transport: <ul style="list-style-type: none"> <li>• FSP 3000 CC</li> <li>• FSP 3000 R7</li> </ul>	Optical Engines: <ul style="list-style-type: none"> <li>• AOE Coherent Pluggables</li> <li>• AOE MicroMax</li> <li>• AOE AccessWave</li> </ul>
Infrastructure Monitoring: <ul style="list-style-type: none"> <li>• ALM Fiber Monitoring</li> </ul>	Software: <ul style="list-style-type: none"> <li>• Mosaic Network Controller</li> </ul>
Services: <ul style="list-style-type: none"> <li>• Build</li> <li>• Care</li> <li>• Training</li> <li>• Professional Services</li> <li>• Software Services</li> <li>• Managed Services</li> </ul>	

## **Industry Overview**

The global growth of the cloud and mobility (5G), home office and mobile working, industrial applications and AI are accelerating the demand for more bandwidth, requiring more flexible provisioning of telecommunications services and more precise network synchronization. Communications Service Providers' investment in their networks is being driven by the pursuit of growth in subscriber acquisition, retention, and average revenue per user, as well as by the aims of streamlining operations, lowering energy consumption and improving their overall ESG position. Drivers facilitating this network investment cycle include the evolution of government funding programs, private equity infrastructure investment appetite, regulatory broadband policies, competition and ever-increasing subscriber demand for higher-speed broadband.

Subscriber demand for greater bandwidth continues to increase as connectivity is being woven ever more tightly into the fabric of everyone's day-to-day lives. Specifically, subscriber demand for greater bandwidth is being driven by increasing numbers of connected devices, shifting working arrangements, the transition of entertainment over to OTT video, and the evolution of gaming platforms towards subscription models where new hybrids of download and streaming are emerging globally. This is further compounded by the rapid adoption of AI, the prevalence of IoT and the increasing transition of applications over to cloud-based services and internet applications where recurring revenues replace one-time sales. Performance and user satisfaction are directly related to bandwidth availability and service robustness. As the demand for high-definition video and game streaming services, symmetric bandwidth for online collaboration, lower latency for interactive AI and cloud applications and smart home video surveillance applications continue to increase, so too does the need increase for fiber-based broadband to be in every home and business.

In order to satisfy these complex requirements and deliver on the efficiency improvements demanded by operators, communications Service Providers are transitioning to full fiber access networks.

We aim to serve as a trusted partner to our customers. Working side-by-side with our customers, we assist them with maximizing the performance of their networks by providing a flexible path for their networks to evolve cost-effectively over to full fiber while availing themselves of the benefits that web-scale architectures deliver and helping to further monetize their investments.

## **Our Strategy**

Our strategy is to provide innovative and cost-effective solutions for our customers that enable them to address their increasing broadband demand. Our solutions focus on technology transformations that are happening in broadband network infrastructure, home and business CPE and software platforms, and services needed to help our customers address increasing complexity while scaling to meet increasing consumer demands.

We aspire to be one of the top communication technology players in the world and an innovation leader around the converged edge, enabling the intelligent, self-optimizing, fiber-everywhere future. We plan to achieve this goal through innovation in network, home and business technology paired with a customer-focused organizational structure that tailors solutions to meet the needs of our target customers. We have one of the most comprehensive solutions portfolios that empowers operators to build a converged infrastructure from the metro core to the customer premise, serving all networking applications for residential, business, wholesale and mobile users. We take an approach to our portfolio in which we are focused in specific markets where we can offer competitive differentiation and scale while also having enough diversity and breadth in the portfolio to provide end-to-end connectivity solutions that offer value to our customers. More specifically, our corporate strategy consists of the following elements:

- *Leadership in fiber networking:* Breadth of portfolio, open and advanced architecture, assured and secure connectivity.
- *Growth in focus markets:* Increased turnkey solutions and in-region resources, especially North America and EMEA.
- *Investment in converged edge:* Innovation in optics, security, AI-driven networking, virtualization, SaaS, etc.
- *Transformation through software:* Open and cloud-centric systems, end-to-end programmability, simplification through software, and innovative SaaS offerings.
- *Diversification of customers:* Cross-selling current portfolio, acquisition of new customers and partners based on larger portfolio and trusted supplier status.
- *Focus on sustainability:* Science-based emissions targets, process-based product eco-design, optimization of operations, logistics and all packaging, circular-economy processes.

### *Business Efficiency Program*

On November 6, 2023, due to the uncertainty around the current macroeconomic environment and its impact on customer spending levels, the Company's management decided to implement a business efficiency program ("Business Efficiency Program") targeting the reduction of ongoing operating expenses and focusing on capital efficiency inclusive of certain salary reductions, an early retirement program, a site consolidation plan to include lease impairments and the sale of owned real estate (including the probable sale of our headquarters), inventory write downs from product discontinuances, and the suspension of the quarterly dividend. The Business Efficiency Program expanded upon other recently implemented restructuring efforts and synergy costs following the Business Combination. For instance, on August 17, 2023, the Company's management determined to discontinue its copper-based Digital Subscriber Line broadband access technology products and its fixed wireless access products in its Network Solutions segment. Furthermore, on September 29, 2023, the Company's management decided to exit the "IoT" gateway market (indoor and outdoor), a subset of the broader IoT market (together with the other product discontinuations, the "Discontinuations"). On October 25, 2023, all employees were informed of certain personnel measures, which included the reduction of salary for select management, a reduction of approximately 5% of the workforce, an early retirement program and a hiring freeze. Additionally, on April 11, 2024, Management determined to close a facility in Greifswald, Germany which was completed in November 2024. As of December 31, 2024, the Company classified the Company's property, specifically the North and South Towers located on our Huntsville, Alabama campus, as assets held for sale, *see Note 1 and Note 6 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information*. Other than our stated aim of selling our headquarters, the restructuring program was substantially complete as of December 31, 2024. *For additional information regarding the Business Efficiency Program, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 or Note 20 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.*

### **Customers**

We have a diverse global customer base that includes large, medium and small Service Providers, alternative Service Providers, such as utilities, municipalities and fiber overbuilders; cable/MSOs; SMBs and distributed enterprises.

During 2024, we had one customer who comprised greater than 10.0% of our revenue, which was an international Service Provider and our next five largest customers comprised 21.7% of our revenue. Additionally, our revenue in the U.S., U.K. and Germany each comprised more than 10% of our revenue in 2024. The revenue from this Service Provider and these countries is reported in both our Network Solutions and Services & Support segments.

*For a discussion of risks associated with customers, Service Providers and approval processes, see "Risk Factors – The lengthy sales and approval process required by Service Providers for new products could result in fluctuations in our revenue," "Risk Factors – We depend heavily on sales to certain customers; the loss of any of these customers would significantly reduce our revenue and net income," in Part I, Item 1A of this report.*

### **Distribution, Sales and Marketing**

We sell our products through our direct sales organization and our distribution network. Our direct sales organization supports major accounts and has offices in global locations. Sales to most smaller and independent telephone companies are fulfilled through a combination of direct sales and distributors. Our services offerings can be purchased directly from us or through one of our Service Providers, channel partners or distribution partners.

Before placing an order, Service Providers typically require lengthy product qualification and standardization processes that can extend for several months or even years. Once approved, product orders are typically placed under single or multi-year supply agreements that are generally not subject to minimum volume commitments. Service Providers generally prefer having two or more suppliers for most products. Therefore, individual orders are usually subject to competitive combinations of total value, service, price, delivery and other terms.

Orders for end-user products are fulfilled through a combination of direct sales and distributors. This is supported by a direct sales organization for major accounts and a channel-based sales organization to facilitate sales to our partners. MSPs, VARs and SIs may be affiliated with us as channel partners, or they may purchase from a distributor in an unaffiliated fashion. Affiliated partners participate with us at various program levels, based on sales volume and other factors, to receive benefits such as product discounts, market development funds, technical support and training.

Outside of the U.S., most Service Provider products are sold through our direct sales organization and end-user products are sold direct or through distribution arrangements customized for each region. Some regions are supported from a field office that offers sales and support functions, and in some cases, warehousing and manufacturing support. Our field sales organizations, distributors and Service Provider customers receive support from regional-based marketing, sales and customer support groups.

Our marketing organization promotes all brands associated with us to key stakeholders, including customers, partners and prospects throughout the world. Marketing is complemented by product marketing and management teams that work with our engineering teams to develop and promote new products and services, as well as product enhancements.

## **Research and Development**

Rapidly changing technologies, evolving industry standards, changing customer requirements, supply constraints and continuing developments in communications service offerings characterize the markets for our products. Our on-going ability to adapt to these changes and to develop new and enhanced products that meet or anticipate market demand is the main factor influencing our competitive position and our ability to grow.

Our product development activities are a central part of our strategy. We plan to maintain our emphasis on product development to enable us to respond to rapidly changing technology and evolving industry standards. Our research and development and engineering functions are global. We maintain research and development functions at multiple sites in the U.S., Europe, Israel and Asia. During the years ended December 31, 2024, 2023 and 2022, research and development expenditures totaled \$221.5 million, \$258.3 million and \$173.8 million, respectively.

While we develop the majority of our products internally, we also leverage partners for some solutions. Additionally, we license intellectual property or acquire technologies. Internal development on advanced technology products gives us more control over design and manufacturing issues, while for traditional designs, ODM and/or licensed intellectual property provides us with the ability to leverage the economies of scale of our technology partners. This balanced approach ensures we provide best-in-class solutions for our customers.

As we continue to create more software-based intellectual property, such as our SDN/Edge Cloud portfolio, our use of lean agile practices in research and development ensures we remain responsive and customer-focused. This enables us to deliver products faster, at higher quality and more economically to our customers and the market on a continuous basis.

Our ability to continually reduce product costs, while focusing on delivery and quality, are important parts of our overall business strategy. Our product development efforts are often centered on entering a market with improved technology, enabling us to offer products at competitive prices and compete for market share.

Development activities focus on solutions that support both existing and emerging communications industry technologies in segments that we consider viable revenue opportunities. We are actively engaged in developing and refining technologies to support data, voice and video transport primarily over IP/Ethernet and optical network architectures. This includes optical transport, packet demarcation and aggregation, synchronization and fiber-optic access, DSL, access routing, ethernet switching, wireless LANs, integrated access, converged services, VoIP, network management and professional services. In addition, we focus on vertical optical technologies like Silicon Photonics, as well as microelectronics in order to differentiate and fully control the vertical value stack of our solutions. In 2024, we released many market-leading products like additions to our SDX OLT series, new residential gateway and ONT families, outdoor packet demarcation devices, packet demarcation, encryption/security products, edge and core transport solutions. We enhanced our market-leading synchronization & timing portfolio, as well as our SaaS delivery abilities and Mosaic One software.

Our research function and advanced technology team is driving many specific research projects in the fields of sustainable optical transmission, security, quantum communications, SDN and access technologies. This research fosters differentiated product concepts and guides our various product design and engineering teams in IPR creation, industry and network standards and technological forecasting.

We are an active participant in several SDOs and have assisted with the development of worldwide standards in many technologies. Our SDO activities are primarily in the areas of broadband access, optical networking and synchronization. This includes involvement with the ITU-T, ATIS, ETSI, ONF and the BBF. We are involved in the evolution of optical access technologies on next-generation PON. We also continue to be involved in driving optical networking, synchronization and SDN standardization and participate in industry-wide interoperability, performance-testing and system-level projects related to those standards in BBF and ONF. We are also members of MEF, TIA, CableLabs and TIP.

*For a discussion of risks associated with our research and development activities, see “Risk Factors – We must continue to update and improve our products and develop new products to compete and to keep pace with improvements in communications technology” and “Risk Factors – We engage in research and development activities to develop new, innovative solutions and to improve the application of developed technologies, and as a consequence may miss certain market opportunities enjoyed by larger companies with substantially greater research and development effort and which may focus on more leading edge development,” in Part I, Item 1A of this report.*

## **Manufacturing and Operations**

The principal steps in our manufacturing process include the purchase and management of materials, assembly, testing, final inspection, packing and shipping. We purchase parts and components for the assembly of some products from a large number of suppliers through a worldwide sourcing program. Additionally, we manage a process that identifies the components that are best purchased directly by contract manufacturers for use in the assembly of our products to achieve manufacturing efficiency, quality and cost objectives. Certain key components used in our products are currently available from a single source, and other key components are available from only a limited number of sources. In the past, we have experienced delays in the receipt of certain key components, which has resulted in delays in related product deliveries. We attempt to manage these risks through developing alternative sources, by staging inventories at strategic locations, through engineering efforts designed to prevent the necessity of certain components and by maintaining close contact and building long-term relationships with our suppliers. *See Inventory included in Part I, Item 1 of this report for additional information.*



We rely on subcontractors for the assembly and testing of certain printed circuit board assemblies, sub-assemblies, chassis, enclosures and equipment shelves, and to purchase some of the raw materials used in such assemblies. We typically manufacture our lower-volume, higher-mix products and build and test product prototypes and many of our initial production units at our manufacturing site in Huntsville, Alabama. We later transfer the production of higher-volume, lower-mix assemblies to our subcontractors. Subcontract assembly operations can lengthen fulfillment cycle times, but we believe we can respond more rapidly to uncertainties in incoming order rates by selecting assembly subcontractors that have significant reserve capacity and flexibility. Our subcontractors have generally proven to be flexible and able to meet our quality requirements.

We ship the majority of products to our U.S. customers from our facilities in Huntsville, Alabama. The majority of international customers are being served from our logistics hubs in Meiningen, Germany and York, United Kingdom. We also ship directly from subcontractors to a number of customers in the U.S. and international locations. Most of our facilities are certified pursuant to the most current releases of ISO 9001, TL 9000, ISO 14001 and ISO 27001. Our Huntsville, Alabama facilities and many of our key suppliers are C-TPAT certified. Our products are also certified to certain other customers' industry and privacy standards, including those relating to the emission of electromagnetic energy and safety specifications.

Our dependence on a limited number of suppliers for certain raw materials, key components and ODM products, has prevented and may in the future prevent us from delivering our products on a timely basis, which has had and may continue to have a material adverse effect on operating results and could have a material adverse effect on customer relations.

*For a discussion of risks associated with manufacturing activities, see “Risk Factors – Our strategy of outsourcing a portion of our manufacturing requirements to subcontractors located in various international regions may result in us not meeting our cost, quality or performance standards” and “Risk Factors – Our dependence on a limited number of suppliers for certain raw materials, key components and ODM products, combined with supply shortages, have prevented and may continue to prevent us from delivering our products on a timely basis, which has had and may continue to have a material adverse effect on operating results and could have a material adverse effect on customer relations,” in Part I, Item 1A of this report.*

### **Competition**

We compete in markets for networking and communications services and solutions for Service Providers, businesses, government agencies and other organizations worldwide. Our products and services provide solutions supporting voice, data and video communications across fiber-, copper-, and wireless-based infrastructure, as well as across wide area networks, local area networks and the internet.

We compete with a number of companies in the markets we serve. In the Subscriber Solutions & Experience category, our primary competitors include Calix, Ciena, DZS, Nokia, eero, and a growing number of Asian based ODM's selling direct to carriers. In our Access & Aggregation solutions category, key competitors include Nokia, Calix, Huawei, ZTE Corporation, DZS, Vecima, Harmonic and Microchip. Main competitors of our Optical Networking solutions portfolio are Ciena, Cisco, Ekinops, Huawei, Infinera, Nokia, Ribbon Communications and ZTE Corporation.

Across our markets and segments, the principal competitive factors can include, among others:

- differentiated feature functionality of our products and solutions;
- price performance of our solutions and lowest total cost of ownership for customers;
- quality and reliability of our products;
- financial stability and health of our company;
- ability to manage supply chains and produce and deliver products in accordance with customer wish date;
- ability to innovate and provide customers with differentiated solutions, advantageous to their business model;
- compelling technology roadmap and research and development power;
- industry thought leadership and time to market with innovative solutions;
- country of origin for products and solutions and trusted supplier status;
- security of enterprise value chain, from design to product development, support processes, to products and solutions;
- energy consumption of our products and commitment to sustainability, supporting customers in achieving their climate goals;
- customer relationship and incumbency;
- ability to deliver comprehensive solutions with a high degree of automation and ease-of-use, including hardware, software and services; and
- broad range of services and support capabilities.

*For further discussion of risks associated with our competition, see “Risk Factors – We must continue to update and improve our products and develop new products to compete and to keep pace with improvements in communications technology” and “Risk Factors – We compete in markets that have become increasingly competitive, which may result in reduced gross profit margins and market share,” in Part I, Item 1A of this report.*

### **Seasonality**

We experience quarterly fluctuations in our revenue that occur due to many factors, including the varying budget cycles and seasonal buying patterns of our customers. More specifically, our customers tend to spend less in the first fiscal quarter as they are finalizing their annual capital spending budgets. These seasonal effects may continue to vary and do not always correlate to our operating results. Accordingly, they should not be considered a reliable indicator of our future revenue or operating results. Additionally, the effects of the dynamic supply and demand environment we have experienced in recent periods may impact the traditional seasonality in our business. Due to the stabilizing supply chain environment and the associated reduction in lead times, our customers began to optimize their inventories in the past fiscal year. This has led to a slowdown in ordering behavior. In addition, the continuing uncertain macroeconomic conditions related to inflationary pressures and elevated interest rates has impacted the spending behavior of our customers. However, customers have started to replenish their inventories to meet increasing demand; therefore, we expect order and billings to steadily increase in 2025.

### **Foreign Currency**

Transactions with customers that are denominated in foreign currencies are recorded using the appropriate exchange rates from throughout the year. Assets and liabilities denominated in foreign currencies are remeasured at the balance sheet dates using the closing rates of exchange between those foreign currencies and the functional currency with any transaction gains or losses reported in other income, net. Our primary exposures to foreign currency exchange rate movements are with the euro and the British pound sterling. Adjustments resulting from translating financial statements of international subsidiaries are recorded as a component of accumulated other comprehensive income.

### **Inventory**

A substantial portion of our shipments in any fiscal period relate to orders received and shipped within that fiscal period for customers under agreements containing non-binding purchase commitments. Further, a significant percentage of orders require delivery within a few days.

We maintain substantial inventories of raw materials for long lead time components to support this demand and avoid expedite fees. In recent years, inflationary pressures on input costs, such as raw materials and labor, and distribution costs negatively impacted our operating results. However, inflationary pressures on our supply chain have eased somewhat, which has led to reductions in cost premiums on raw material costs and freight. We continue to support our customer demand for our products by working with our suppliers, contract manufacturers, distributors, and customers to address and to limit the disruption to our operations and order fulfillment. Additionally, maintaining sufficient inventory levels to assure prompt delivery of our products increases the amount of inventory that may become obsolete and increases the risk that the obsolescence of this inventory may have an adverse effect on our business and operating results. Also, not maintaining sufficient inventory levels to ensure prompt delivery of our products may cause us to incur expediting costs to meet customer delivery requirements, which may negatively impact our operating results.

*For further discussion of risks associated with managing our inventory, see “Risk Factors – Managing our inventory is complex and may include write-downs of excess or obsolete inventory,” in Part I, Item 1A of this report.*

### **Government Regulation**

#### *Telecommunications Matters*

Our products that are incorporated into wireless communications systems must comply with various government regulations, including those of the FCC. We strive to deliver innovative network access solutions that lower the total cost and reduce the time of deploying services, increase the level of performance achievable with established infrastructures, reduce operating and capital expenses for our customers, increase network bandwidth and functionality, and extend network reach. Our development process is conducted in accordance with ISO 9001, TL 9000, ISO 14001, and ISO 27001, all of which are international standards for quality and environmental management systems.

#### *Environmental Matters*

Our products must comply with various regulations, directives and standards established by communications authorities in various countries, as well as those of certain international bodies. Environmental legislation in particular within the EU may increase our cost of doing business as we amend our products to comply with these requirements. This includes the CSRD directive, the CBAM regulation, the WEEE directive and the ESPR adopted by the EU. We are also subject to disclosure and related requirements that apply to the presence of conflict minerals in our products or supply chain. We continue to implement measures to comply with these and other similar directives and regulations from additional countries.

## *Global Trade*

As a global company, the import and export of our products and services are subject to various laws and regulations, including international treaties, U.S. trade policy, tariffs, export controls and sanctions laws, customs regulations, and local trade rules around the world. Such laws, rules, and regulations may delay the introduction of some of our products or impact our competitiveness through restricting our ability to do business in certain places or with certain entities and individuals, or the need to comply with domestic preference programs, laws concerning transfer and disclosure of sensitive or controlled technology or source code, unique technical standards, localization mandates, and duplicative in-country testing and inspection requirements. Furthermore, material changes in such laws, rules or regulations or the failure by us to comply with such laws, rules and regulations could limit our ability to conduct business globally.

*For further discussion of risks associated with government regulation, see “Risk Factors – Changes in trade policy in the U.S. and other countries, including the imposition of additional tariffs and the resulting consequences, may adversely impact our gross profits, gross margins, results of operations and financial condition,” in Part I, Item 1A of this report.*

## *Other Regulations*

As a company with global operations, we are subject to complex foreign and U.S. laws and regulations, including anti-bribery and corruption laws; antitrust or competition laws; data privacy laws and regulations, such as the GDPR and the California Consumer Privacy Act; and cybersecurity laws and regulations, among others. We have policies and procedures in place to promote compliance with these laws and regulations. To date, our compliance actions and costs relating to these laws, rules and regulations have not resulted in a material cost or effect on our capital expenditures, earnings or competitive position. Government regulations are subject to change and, accordingly, we are unable to assess the possible effect of compliance with future requirements or whether our compliance with such regulations will materially impact our business in the future.

*For further discussion of risks associated with government regulation, see “Risk Factors – We are subject to complex and evolving U.S. and foreign laws, regulations and standards governing the conduct of our business. Violations of these laws and regulations may harm our business, subject us to penalties and to other adverse consequences,” in Part I, Item 1A of this report.*

## **Environmental, Social, and Governance**

We believe that as we follow our corporate vision to enable a fully connected world, we must continue to be responsible corporate citizens. As more people are connected, work and life can be accomplished using fewer resources. We have established ESG and sustainability programs and policies that encompass the elements of Environmental, Health & Safety, Ethics, Labor, and the related management systems in alignment with the ISO 26000 Guidelines. We are committed to operating in full compliance with the laws, rules and regulations of all the countries in which we operate. The major aims of our program are reducing waste and emissions, maximizing energy efficiency and productivity and minimizing practices that can adversely affect utilization of natural resources by coming generations. Our ESG programs are important to us, consequently, ESG is a dedicated focus throughout the company. We have Board oversight including an ESG Committee, strong management support and engagement from our employees.

Areas of focus in our environmental sustainability program include:

- dedicated ESG Committee of the Board of Directors;
- maintained our mature environmental management system certified to ISO 14001:2015;
- advanced our Energy Management program with ISO 50001 readiness for the Huntsville site for 2025;
- submitted our Net Zero targets to SBTi in 2023 and got them approved in 2024;
- continued purchase of Renewable Energy Credits, equaling ~20% of total Adtran energy consumption;
- continued using IntegrityNext, a platform to engage suppliers to obtain an ESG assessment aligned with international standards, allowing us to monitor ESG risks in our supply chain;
- established Eco-Design guidelines in the Technology organization;
- continued with Life Cycle Assessments across the portfolio;
- continued with packaging optimization to reduce related materials and waste;
- increased visibility of our program internally and externally through customer engagement, joining peer sustainability groups, offering training to team members and web site enhancements;
- continued with the external CDP and EcoVadis assessments.

We will issue an ESG report for 2024 in early 2025, which will use the EU ESRS guidelines, in order to fulfill the reporting obligations set forth in the EU CSRD. Within the report is information on our environmental, social and governance programs, including quantitative and qualitative data for both Adtran Networks and the Company. This information can also be found on our website at: [www.adtran.com/en/about-us/esg/environmental](http://www.adtran.com/en/about-us/esg/environmental). The information found on our website is not incorporated by reference in this report or any other report that we file or furnish to the SEC.

*For further discussion of risks associated with government regulation, see “Risk Factors – Expectations relating to environmental, social and governance considerations expose the Company to potential liabilities, increased costs, reputational harm, and other adverse effects on the Company’s business,” in Part I, Item 1A of this report.*

### **Human Capital**

We believe that our most valuable asset is our people. To ensure we continue to succeed, our objective is to be able to recruit, hire and retain top talent. Our ability to attract and retain a high-quality workforce is dependent on our ability to maintain a diverse, equitable and inclusive workplace that provides opportunities for our employees to learn and grow in their careers. This is supported by competitive compensation and benefits, along with strong community service and other programs that enable employees to build connections within the community.

As part of our Business Efficiency Program, on October 25, 2023, all employees were informed of certain personnel measures, which included the reduction of salary for select management, a reduction of approximately 5% of the workforce, an early retirement program and a hiring freeze. The Company provided the employees subject to the salary reductions with stock option awards for retention purposes. Our Chief Executive Officer voluntarily reduced his salary by 50% and did not receive any stock option awards under the Business Efficiency Program. As of December 31, 2024, the Company had substantially completed the goals outlined in our Business Efficiency Program except for the Company's aim of selling its headquarters. *For additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Business Efficiency Program” in Part II, Item 7 of this report.*

As of December 31, 2024 we had 3,234 total employees, of which 3,091 full-time employees and 143 part-time employees. We had 1,133 employees in the U.S. and 2,101 employees in our international subsidiaries located in North America, Latin America, EMEA and APAC regions. We also utilized 240 contractors and numerous temporary employees domestically and internationally in various manufacturing, engineering, sales and general and administrative capacities. We believe that our relationship with our employees is good. We have a diverse employee base located in 37 countries. We pride ourselves on a highly educated workforce, and the majority of our employees serve in engineering, information technology and technical roles within the organization.

As of December 31, 2024 approximately 90 employees (76%) of Adtran GmbH were subject to collective bargaining agreements of either the Association of Metal and Electrical Industry in Berlin and Brandenburg e.V. or NORDMETALL Association of Metal and Electrical Industry e.V. As of December 31, 2024, Adtran Networks had 94 employees in Switzerland, France, Italy, Finland and Spain that were subject to collective bargaining agreements of different associations. None of our other employees are subject to collective bargaining agreements.

Additionally, we continually work to recruit technical talent in diverse communities through our cooperative education program. This program seeks to identify college students that major in relevant technological areas and expose them to our work environment on an alternating semester basis. Our goal is to retain as many of these students as possible for full-time employment after graduation to build our organization's future.

### *Workplace Diversity*

We believe that maintaining a diverse and inclusive workforce is important to the success of our business. We encourage an environment where individuality is embraced regardless of age, gender, identity, race, sexual orientation, physical or mental ability, ethnicity and perspective and where each employee is accepted.

Our Board of Directors is comprised of seven members, two of which are females and three of which are ethnically diverse. Additionally, the Board of Directors has a diversity of skills and experience with respect to accounting and finance, management and leadership, vision and strategy, business operations, business judgment, crisis management, risk assessment, industry knowledge, corporate governance and global markets.

### *Health, Safety and Wellness*

The well-being of our employees is paramount to the continued success of our business. To this end, we are committed to each of our employees' health, safety and wellness. We provide our employees with access to various health and wellness benefits designed to enable them and their family members to have affordable access to health, dental and vision insurance. Additionally, we offer access to many programs that provide additional monetary support in the event of a qualifying incident, including accident insurance, life insurance and hospital indemnity insurance, among others. We understand that mental health is an essential aspect of our employees' well-being and we offer an employee assistance program at no charge to employees and their family members. This program provides access to qualified personnel to address various issues such as grief, financial stress, family and emotional issues.

### *Compensation and Benefits*

We continually work to provide a competitive compensation and benefits program as this plays a key role in our ability to attract and retain a highly skilled workforce. In addition to salaries, these programs, which vary by country/region, include long-term equity incentive awards with certain vesting requirements, deferred compensation plans (which are offered to certain members of executive management), a 401(k) plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, paid volunteer time off, employee assistance program and tuition assistance. Additionally, at our global headquarters in Alabama, we offer our employees certain on-site services, including nurse practitioner care and a fitness center, among others.

### *Talent Development*

We invest significant resources to develop the talent needed to remain a market-leading global supplier of broadband infrastructure. We offer numerous training opportunities on both technical and professional development topics. We utilize tools and processes to provide performance feedback which helps develop high potential employees into becoming our future leaders.

Our Career Development Program provides an opportunity for employees to shape their career journey. The program provides opportunities for employees to develop competencies in areas including technology, business acumen, emotional intelligence, design and systems thinking. As employees increase their competencies in these areas and master skills within their individual roles, this program offers a variety of career advancement paths.

### **Intellectual Property**

We develop and own a significant amount of intellectual property. We hold over 1,000 patents worldwide related to our products and over 50 additional pending patent applications. Our patents expire at various dates between 2025 and 2041. We continue to seek additional patents related to our research and development activities. We do not derive any material amount of revenue from the licensing of our patents.

The name "Adtran" is a registered trademark of ours, as is the name "SmartRG" and a number of our product identifiers and names. We also claim rights to a number of unregistered trademarks.

We protect our intellectual property and proprietary rights in accordance with good legal and business practices. We believe, however, that our competitive success will not fully depend on the ownership of intellectual property, but instead will depend primarily on the innovative skills, technical competence and marketing abilities of our personnel.

The communications industry is characterized by the existence of an ever-increasing volume of patent litigation and licensing activities. We have received, and may continue to receive, notices of claims alleging that we are infringing upon patents or other intellectual property. We cannot predict whether we will prevail in any claims or litigation over alleged infringements, or whether we will be able to license any valid and infringed patents, or other intellectual property, on commercially reasonable terms. It is possible that such litigation may result in significant legal costs and judgments and that intellectual property infringement claims, or related litigation against or by us could have a material adverse effect on our business and operating results.

*For a discussion of risks associated with our intellectual property and proprietary rights, see "Risk Factors – Our failure to maintain rights to intellectual property used in our business could adversely affect the development, functionality, and commercial value of our products" in Part I, Item 1A of this report.*

### **Information about our Executive Officers**

Our executive officers as of March 3, 2025, are listed below, along with their ages on that date, positions and offices held with the Company, and principal occupations and employment, focused primarily on the past five years (and all positions within the Company).

<b>Thomas R. Stanton</b>	Age 60
2007 to present	Chief Executive Officer and Chairman of the Board
2023 to present	Chief Executive Officer and Management Board member of Adtran Networks
<b>Ulrich Dopfer</b>	Age 51
2023 to present	Senior Vice President, Chief Financial Officer, Secretary and Treasurer
	Chief Financial Officer and Management Board member of Adtran Networks
2015 to 2023	Chief Financial Officer of Adtran Networks
<b>Christoph Glingener</b>	Age 56
2023 to present	Chief Technology Officer
	Chief Technology Officer and Management Board member of Adtran Networks
2022 to 2023	Chief Executive Officer of Adtran Networks
2007 to 2022	Chief Technology Officer of Adtran Networks
<b>James D. Wilson, Jr.</b>	Age 54
2019 to present	Chief Revenue Officer
2015 – 2019	Senior Vice President of Technology and Strategy
2006 – 2015	Senior Vice President and General Manager (Carrier Networks)

There are no family relationships among our directors or executive officers. Adtran Networks is a majority-owned subsidiary of the Company.

### **Availability of Information**

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information as required with the SEC. The SEC maintains an internet website, <http://www.sec.gov>, that contains reports, proxy and information statements, and other information regarding issuers, including Adtran, that file electronically with them. Additionally, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, if applicable, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), are available free of charge under the Investor Relations section of our website, [www.adtran.com](http://www.adtran.com), as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The reference to our website address does not constitute incorporation by reference of the information contained on the website, which information should not be considered part of this report.

## **ITEM 1A. RISK FACTORS**

---

*Our business involves substantial risks. Any of the risk factors described below or elsewhere in this report could significantly and adversely affect our business prospects, financial condition and results of operations. The risks described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem to be immaterial may also adversely affect us.*

### **Risks related to our financial results and Company success**

*We are obligated to comply with covenants related to our Wells Fargo Credit Agreement that restrict our operating activities, and the failure to comply with such covenants could result in defaults that accelerate our debt.*

The Wells Fargo Credit Agreement governing our indebtedness contains restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants has resulted in events of default and may in the future result in an event of default that, if not cured or waived, results in the acceleration of all its debt. Our Wells Fargo Credit Agreement along with the amendments thereto, contain various restrictive covenants which include, among others, provisions limiting our ability to:

- pay dividends or make other distributions or repurchase capital stock;
- incur or guarantee additional debt;
- make certain distributions, investments and other restricted payments;
- engage in transactions with affiliates;
- engage in mergers or consolidations;
- grant or incur liens on assets;
- dispose of assets;
- make loans and investments;
- modify our organization documents; and
- enter into certain restrictive agreements.

In addition, the Wells Fargo Credit Agreement contains customary events of default, such as misrepresentation and a default in the performance or observance of any covenant (subject to customary cure periods and materiality thresholds).

In addition, certain covenants in the Wells Fargo Credit Agreement, including covenants set forth in the amendments thereto, require us, among other things, to:

- maintain certain leverage ratios; and
- maintain certain fixed charge coverage ratios;

As a result of these restrictions, we have been and may be:

- limited in how we conduct our business;
- limited in how much additional funding we can draw on our line of credit;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; and
- unable to compete effectively or to take advantage of new business opportunities.

Our failure to comply with the covenants set forth in the Credit Agreement has resulted in events of default and could in the future result in defaults that accelerate the payment under such debt which would likely have a material adverse impact on our financial condition and results of operations. In addition, an event of default under the Credit Agreement would, if not cured or waived, permit the lenders to terminate all commitments to extend further credit under the applicable facility. Furthermore, if we were unable to repay the amounts due and payable under the Credit Agreement, the lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. In addition, these defaults could impair our ability to access debt and equity capital markets. *For additional information on our debt covenants, see "Liquidity & Capital Resources" in Part II, Item 7 of this report.*

***We have experienced significant fluctuations in revenue and such fluctuations may continue. Fluctuations in revenue can cause our operating results in a given reporting period to be higher or lower than expected.***

As a result of the many factors discussed in this report, our revenue for a particular quarter is difficult to predict and will fluctuate from quarter to quarter. Visibility into customer spending levels is often uncertain, spending patterns are subject to change, and reductions in

our expense levels can take significant time to implement. Typically, our customers request product delivery within a short period following our receipt of an order. Consequently, we do not typically carry a significant order backlog and are dependent upon obtaining orders and completing delivery in accordance with shipping terms that are predominantly within each quarter to achieve our targeted revenue. Our deployment/installation cycle can also vary depending on the customer's schedule, site readiness, network size and complexity and other factors, which can cause our revenue to fluctuate from period to period. Our ability to meet financial expectations could also be affected if the variable revenue patterns seen in prior quarters recur in future quarters. We have experienced periods of time during which manufacturing issues have delayed shipments, leading to variable shipping patterns. In addition, to the extent that manufacturing issues and any related component shortages continue to result in delayed shipments in the future, and particularly in quarters in which we and our subcontractors are operating at higher levels of capacity, it is possible that revenue for a quarter could be adversely affected, and we may not be able to remediate the conditions within the same quarter.

Under certain market conditions, long manufacturing lead times have caused our customers to place the same order multiple times. When multiple ordering occurs, along with other factors, it may cause difficulty in predicting our revenue and, as a result, could impair our ability to manage inventory effectively.

We plan our operating expense levels based primarily on forecasted revenue levels. Furthermore, our expenses and the impact of long-term commitments are relatively fixed in the short term. A shortfall in revenue has led and could again in the future lead to operating results being below expectations, partially due to an inability to quickly reduce these fixed expenses in response to short-term business changes.

Our customers in the subscriber solutions & experience technology category are increasingly focusing on working capital optimization and depletion of overstocked inventories, which has impacted and may continue to materially impact demand in that category. Our future revenue growth will depend, in part, on securing increased orders from customers.

***Accurately matching necessary inventory levels to customer demand within the current environment is challenging, and we may incur additional costs or be required to write off significant inventory that would adversely impact our results of operations.***

In recent years, we received unprecedented orders for our products and services, during a period when the supply environment was constrained. We took a number of steps to mitigate these challenges, including extending our purchase commitments and placing non-cancellable, advanced orders with or through suppliers, particularly for long lead-time components. As a result of this strategy and the inclusion of Adtran Networks' inventory following the closing of the Business Combination, our inventory increased to \$427.5 million at the end of fiscal 2022. However, our inventory reduced to \$261.6 million at the end of fiscal 2024, which is more in line with historical levels. These inventory practices and their associated costs have had, and could in the future continue to have, an adverse impact on our cash from operations.

In addition, these inventory practices, particularly when considered in the context of our backlog, further introduce obsolescence risk that can impact our results of operations and financial condition. During fiscal 2023 and fiscal 2024, certain customers that had earlier placed significant advanced orders, rescheduled deliveries for or cancelled a portion of such orders. Accordingly, our inventory needs for a particular period can fluctuate and be difficult to predict. If our customers were to cancel or delay orders for extended periods, inventory could become obsolete, and we could be required to write off or write down the inventory associated with those orders. In addition, if customers were to cancel or delay existing or forecasted orders for which we have significant outstanding commitments to our contract manufacturers or suppliers, we may be required to purchase inventory under these commitments that we are unable to sell. If we are required to write off or write down a significant amount of inventory, our results of operations for the applicable period would be materially adversely affected. For example, we recorded charges for excess and obsolete inventory of \$8.6 million and \$24.3 million in fiscal 2024 and 2023, respectively, primarily related to a strategy shift which included discontinuance of certain product lines in connection with the Business Efficiency Program. Our inability to effectively manage the matching of inventory with customer demand, particularly within any supply constrained environment, could adversely impact our results of operations and financial condition, and could result in loss of revenue, increased costs, or delays that could adversely impact customer satisfaction.

***The lengthy sales and approval process required by Service Providers for new products has resulted in fluctuations in our revenue and may result in fluctuations of future revenue and financial results.***

In the industry in which we compete, sales and approval cycles are often lengthy. Selling efforts often involve a significant commitment of time and resources by us and our customers that may include extensive product testing, laboratory or network certification, or region-specific product certification and homologation requirements for deployment in networks. Additionally, a supplier must first obtain product approval from a major or other Service Provider to sell its products to these Service Providers. This process can last from six to eighteen months, or longer, depending on the technology, the Service Provider and the demand for the product from the Service Provider's subscribers. Consequently, we are involved in a constant process of submitting for approval succeeding generations of products, as well as products that deploy new technology or respond to new technology demands from a major or other Service Provider. We cannot be certain that we will obtain these approvals in the future or that sales of these products will continue to occur. Any attempt by a major or other Service Provider to seek out additional or alternative suppliers, or to undertake, as permitted under applicable regulations, the production of these products internally, could have a material adverse effect on our operating results. Furthermore, the delay in sales until the completion of the approval process, the length of which is difficult to predict, has and may continue to result in fluctuations of revenue and uneven operating results from quarter to quarter or year to year. For example, we have seen a decrease in volume of sales activity due to customers' focus on reducing inventory levels in our domestic ADTRAN, Inc. operations, which has



impacted and may continue to materially impact demand in that category. Further, once customer approval or certifications are met, our supply chain customers typically do not guarantee us a minimum, or any, volume of sales.

***We require a significant amount of cash to service our indebtedness, our payment obligations to Adtran Networks shareholders under the DPLTA, and other obligations.***

Our ability to generate cash depends on many factors beyond our control and any failure to service our outstanding indebtedness could harm our business, financial condition and results of operations. Furthermore, we have entered into a DPLTA with Adtran Networks. Additionally, pursuant to the terms of the DPLTA, each Adtran Networks shareholder (other than the Company) has received an offer to elect either (1) to remain an Adtran Networks shareholder and receive from us an Annual Recurring Compensation payment, or (2) to receive Exit Compensation. For the year ended December 31, 2024, approximately 831 thousand shares of Adtran Networks stock were tendered to the Company. This resulted in total Exit Compensation payments of approximately €15.7 million, or approximately \$17.4 million, based on exchange rates at the time of the transactions, being paid to Adtran Networks shareholders. Any failure to satisfy our payment obligations under the DPLTA could harm our business, financial condition and results of operations.

Our ability to make payments on and to refinance our indebtedness, to cover our payment obligations under the DPLTA, and to fund working capital needs and planned capital expenditures depends on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, business, legislative, regulatory and other factors that are beyond our control. If our business does not generate sufficient cash flow from operations, we do not sufficiently reduce costs in a timely manner, or if our future borrowings are not available to us in an amount sufficient to enable us and our subsidiaries to pay our indebtedness or to fund our other liquidity needs, we may need to raise additional debt or equity capital, refinance all or a portion of our indebtedness, sell assets, reduce or delay capital investments, any of which could have a material adverse effect.

The Company experienced revenue declines in 2024. There can be no assurance that the Company will be successful in effecting its plans to preserve cash liquidity and maintain compliance with the Company's covenants on commercially reasonable terms or at all. We may need to further reduce capital expenditure and/or take other steps to preserve working capital in order to ensure that we can meet our needs and obligations and maintain compliance with our debt covenants. Our ability to raise additional debt capital or to restructure or refinance our indebtedness will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments or preferred stock may limit or prevent us from taking any of these actions.

In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness or dividend payments on any future outstanding shares of preferred stock would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness or otherwise raise capital on commercially reasonable terms or at all. Our inability to generate sufficient cash flow to satisfy our debt service, payment obligations to Adtran Networks shareholders under the DPLTA, and other obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, would have an adverse effect, which could be material, on our business, financial condition and results of operations. Furthermore, if we raise additional funds through the issuance of equity or securities convertible into equity, or undertake certain transactions intended to address our existing indebtedness, our existing stockholders could suffer dilution in their percentage ownership of the Company, or our leverage and outstanding indebtedness could increase. Current capital market conditions, including the impact of inflation, have increased borrowing rates and can be expected to significantly increase our cost of capital as compared to prior periods should we seek additional funding.

***The terms of the DPLTA may have a material adverse effect on our financial results and condition.***

The DPLTA between the Company, as the controlling company, and Adtran Networks, as the controlled company, which was executed on December 1, 2022, became effective on January 16, 2023, as a result of its registration with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) at the registered seat of Adtran Networks (Jena).

Under the DPLTA, subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, (i) the Company is entitled to issue binding instructions to the management board of Adtran Networks, (ii) Adtran Networks will transfer its annual profit to the Company, subject to, among other things, the creation or dissolution of certain reserves, and (iii) the Company will generally absorb the annual net loss incurred by Adtran Networks. The Company's payment obligation in satisfaction of the requirement that it absorb Adtran Networks' annual net loss applied for the first time to the net loss generated in 2023.

Additionally, and subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, the DPLTA provides that Adtran Networks shareholders (other than the Company) be offered, at their election, (i) to put their Adtran Networks shares to the Company in exchange for compensation in cash of €17.21 per share, plus guaranteed interest (the "Exit Compensation"), or (ii) to remain Adtran Networks shareholders and receive a recurring compensation in cash of €0.52 per share for each full fiscal year of Adtran Networks (the "Annual Recurring Compensation"). The guaranteed interest under the Exit Compensation is calculated from the effective date of the DPLTA to the date the shares are tendered, less any Annual Recurring Compensation paid. The guaranteed interest rate is 5.0% plus a variable component that was 3.37% as of December 31, 2024. The Annual Recurring Compensation is due on the third banking day following the ordinary general shareholders' meeting of Adtran Networks for the respective preceding fiscal year (but in any event within eight months following expiration of the fiscal year). With respect to the 2023 fiscal year, Adtran Networks' ordinary general shareholders' meeting occurred on June 28, 2024, and therefore, the Annual Recurring Compensation was paid on July 3, 2024. With respect to the 2024 fiscal year, Adtran Networks' ordinary general shareholder meeting is scheduled for June 27, 2025, and therefore, the Annual Recurring Compensation will be due on July 2, 2025. The adequacy of both forms of compensation has been

challenged by minority shareholders of Adtran Networks via court-led appraisal proceedings under German law and it is possible that the courts in such appraisal proceedings may adjudicate a higher Exit Compensation (including interest thereon) or Annual Recurring Compensation than agreed upon in the DPLTA. Our obligation to pay Annual Recurring Compensation under the DPLTA is a continuing payment obligation, which will amount to approximately €8.9 million or \$9.3 million (based on the exchange rate as of December 31, 2024) per year assuming none of the minority Adtran Networks shareholders were to elect Exit Compensation. The foregoing amounts do not reflect any potential increase in payment obligations that we may have depending on the outcome of ongoing appraisal proceedings in Germany. For the year ended December 31, 2024, a total of 831 thousand shares of Adtran Networks stock was tendered to the Company and Exit Compensation payments of approximately €15.7 million or approximately \$17.4 million, based on exchange rates at the time of the transactions, were paid to Adtran Networks shareholders. Assuming all the minority holders of currently outstanding Adtran Networks shares were to elect the first option, we would be obligated to make aggregate Exit Compensation payments, including guaranteed interest, of approximately €333.2 million or approximately \$344.9 million, based on an exchange rate as of December 31, 2024. In addition to our cash and cash equivalents and the credit facility, we may fund a portion or all of the Annual Recurring Compensation and Exit Compensation through the sale of securities or additional alternative funding sources, if available. There can be no assurances that we would be successful in effecting these actions at commercially reasonable terms or at all. If we cannot raise additional funds as needed, it could have a material adverse impact on our financial results and financial condition. Additionally, the payment of the Annual Recurring Compensation and Exit Compensation could have a material adverse impact on our financial results and financial condition. See *"Liquidity and Capital Resources"* in Part II, Item 7 of this report for additional information.

The opportunity for minority Adtran Networks shareholders to tender Adtran Networks shares in exchange for Exit Compensation had been scheduled to expire on March 16, 2023. However, due to the appraisal proceedings that were initiated in 2023 in accordance with applicable German law, this time period for tendering shares has been extended pursuant to the German Stock Corporation Act (*Aktiengesetz*) and will end two months after the date on which a final decision in such appraisal proceedings has been published in the Federal Gazette (*Bundesanzeiger*). The Company expects to receive a ruling on a procedural matter in the DPLTA appraisal proceedings during the latter half of 2025 or 2026, which ruling, depending on outcome, will likely be appealed and may take 6-12 months to be decided on appeal. The Company does not expect that a trial on the merits of the DPLTA appraisal proceedings will commence until the procedural matter has been resolved. The proceeding for the trial on the merits of the DPLTA will likely take a minimum of 12 months for a ruling and such ruling will likely be appealed, which would be expected to take an additional 12-24 months to be resolved. Accordingly, the Company does not expect a final decision on the DPLTA appraisal proceedings to be rendered and published prior to 2027, and most likely not until 2028 or beyond.

The amount of this Annual Recurring Compensation payment obligation pursuant to the DPLTA could exceed the amount of dividends that otherwise might be distributed by Adtran Networks to minority shareholders and would even have to be paid if Adtran Networks incurs losses, which could have a material adverse impact on our financial results and financial condition.

***Our significant indebtedness exposes us to various risks.***

As of December 31, 2024, our borrowings under the revolving line of credit were \$189.6 million, of which approximately \$141.0 million was borrowed by ADTRAN, Inc. and \$48.6 million was borrowed by Adtran Networks. The credit facilities provided under the Credit Agreement mature in July 2027, but ADTRAN, Inc. may request extensions subject to customary conditions. As of December 31, 2024, we had a total of \$3.6 million in letters of credit under ADTRAN, Inc. outstanding under the Credit Agreement, leaving a net amount (after giving effect to the \$189.6 million of outstanding borrowings described above) of \$180.8 million available for future borrowings; however, as of December 31, 2024, the Company was limited to additional borrowings of \$36.1 million based on debt covenant compliance metrics. See "Cash Requirements" in Part II, Item 7 of this report for additional information.

Our indebtedness has and may continue to adversely affect our operations and liquidity. Our level of indebtedness:

- could make it more difficult for us to pay or refinance our debts as they become due during adverse economic and industry conditions because we may not have sufficient cash flows to make its scheduled debt payments;
- has caused us and may continue to cause us to use a larger portion of our cash flow to fund interest and principal payments, reducing the availability of cash to fund working capital, capital expenditures, research and development and other business activities;
- has contributed to our decision to suspend quarterly dividend payments to the Company's stockholders;
- limits our ability to assume debt in a future acquisitions. Specifically, our Credit Agreement with Wells Fargo limits the amount of debt we can assume in an acquisition. This could limit our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions;
- could cause us to be more vulnerable to general adverse economic and industry conditions;
- could cause us to be disadvantaged compared to competitors with less leverage; and
- limits our ability to borrow additional money. Specifically, our Credit Agreement with Wells Fargo limits our ability to borrow additional money, which could limit our ability to fund working capital, capital expenditures, research and development and other general corporate needs in the future.

Our ability to satisfy our debt obligations and renew the credit facility is dependent upon our future performance and other risk factors discussed in this section. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If we fail to pay interest on, or repay, our borrowings under the Wells Fargo credit facility when required, we will be in default under the applicable loans, and may also suffer an event of default under the terms of other borrowing arrangements that we may enter into from time to time. We are attempting to further reduce our operating expenses in order to fund our obligations, and we may be forced to further reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We cannot assure you that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled obligations or that these actions would be permitted under the terms of our current or future debt agreements. If we fail to implement these reductions or are unable to achieve sufficient operating results and resources, we could face substantial liquidity challenges and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or obtain sufficient proceeds from those dispositions to meet our debt service and other obligations when due. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

We may also incur additional long-term debt and working capital lines of credit to meet future financing needs, which would increase our total indebtedness. Although the terms of its existing and future credit agreements and of the indentures governing its debt contain restrictions on the incurrence of additional debt, including secured debt, these restrictions are subject to a number of important exceptions and debt incurred in compliance with these restrictions could be substantial. If we or our restricted subsidiaries incur significant additional debt, the relative risks may intensify.

***We depend heavily on sales to certain customers; the loss of any of these customers or a significant project would significantly reduce our revenue and net income.***

Historically, a large percentage of our revenue has been made to major Service Providers and larger independent communications companies. As long as the major and larger independent communications companies represent such a substantial percentage of our total revenue, our future success will significantly depend upon certain factors which are not within our control, including:

- the timing and size of future purchase orders, if any, from these customers;
- changes in strategic plans and capital budgets of these customers;
- the product requirements of these customers;
- the subscriber take rate, including subscriber loss or churn, of our customers;
- the financial and operational success of these customers;
- the impact of legislative and regulatory changes on these customers;
- consolidation, acquisition of, or corporate reorganization among these customers;
- the success of these customers' services deployed using our products; and
- the impact of work stoppages at these customers.

In the past, revenue generated by our large customers has fluctuated significantly from quarter to quarter and year to year, and it may continue to fluctuate in the future. The loss of, or a significant reduction or delay in, revenue to any such customer or the occurrence of revenue fluctuations could have a material adverse effect on our business and results of operations. Further, any attempt by a major or other Service Provider to seek out additional or alternative suppliers or to undertake, as permitted under applicable regulations, the production of these products internally, could have a material adverse effect on our operating results.

There has been a trend toward industry consolidation in our markets for several years. We expect this trend to continue as companies attempt to strengthen or hold their market positions or are unable to continue operations. This could lead to variability in our operating results and could have a material adverse effect on our business, operating results, financial condition and cash flow. In addition, particularly in the Service Provider market, rapid consolidation will lead to fewer customers, with the effect that a loss of a major customer could have a material impact on our results that we would not have anticipated in a marketplace composed of more numerous participants.

***Our exposure to the credit risks of our customers and distributors may make it difficult to collect accounts receivable and could adversely affect our operating results, financial condition and cash flows.***

Most of our revenue is made on an open credit basis, generally with payment terms of 30 to 45 days in the U.S. and typically 45 to 60 days in many geographic markets outside the U.S. As our international revenue grows, our total accounts receivable balance has increased and will likely continue to increase. Our DSO could also increase as a result of a greater mix of international revenue. Additionally, international laws may not provide the same degree of protection against defaults on accounts receivable as provided under U.S. laws governing domestic transactions; therefore, as our international business grows, we may be subject to higher bad debt expense compared to historical trends. Overall, we monitor individual customer and distributor payment capability in granting such open credit arrangements, seek to limit such open credit to amounts that we believe customers and distributors can pay and maintain reserves we believe are adequate to cover exposure for credit losses and other macroeconomic indicators. In the course of our sales to customers and distributors, we may encounter difficulty collecting accounts receivable and could be exposed to risks associated with uncollectible accounts receivable due to various reasons, including potential declining operating cash flows or bankruptcy filings. While we attempt

to monitor these situations carefully and attempt to take appropriate measures to collect accounts receivable balances, there are no assurances we can avoid write-downs and/or write-offs of accounts receivable as a result of declining financial conditions for our customers, including bankruptcy. Such write-downs or write-offs could negatively affect our operating results for the period in which they occur and could potentially have a material adverse effect on our results of operations, financial condition and cash flows.

***We expect gross margins to continue to vary over time, and our levels of product and services gross margins may not be sustainable.***

Our level of gross margins may not be sustainable and has been and may continue to be adversely affected by numerous factors, including:

- changes in customer, geographic or product or services mix, including software and the mix of configurations and professional services revenue within each product segment;
- mix of domestic versus international revenue;
- introduction of new products by competitors, including products with price-performance advantages;
- our ability to reduce product cost;
- increases in labor or material cost, including increases in material costs resulting from inflation or tariffs;
- foreign currency exchange rate movements;
- expediting costs incurred to meet customer delivery requirements;
- excess inventory and inventory holding charges;
- excess and obsolescence charges;
- changes in shipment volume;
- our ability to absorb fixed manufacturing costs during short-term fluctuations in customer demand;
- loss of cost savings due to changes in component pricing or charges incurred due to inventory holding periods if parts ordering does not correctly anticipate product demand;
- lower than expected benefits from value engineering;
- increased price competition, including competitors from Asia, specifically China;
- changes in distribution channels;
- increased warranty cost or quality issues;
- liquidated damages costs relating to customer contractual terms;
- our ability to manage the impact of foreign currency exchange rate fluctuations relating to our revenue or cost of revenue;
- slowdowns, recessions, economic instability (such as the instability in the financial services sector), political unrest, armed conflicts (such as the ongoing military conflict in Ukraine and in Israel and surrounding regions), or outbreaks of disease around the world; and
- an extended government shutdown resulting from budgetary decisions or other potential delays or changes in the government appropriations or other funding authorization processes.

***Our dependence on a limited number of suppliers for certain raw materials, key components and ODM products, combined with supply shortages, have prevented and may continue to prevent us from delivering our products on a timely basis, which has had and may continue to have a material adverse effect on operating results and could have a material adverse effect on customer relations.***

The fact that we are reliant on our extended supply chain could have an adverse impact on the supply of our products and on our business and operating results. The financial problems of our suppliers and industry consolidation occurring within one or more component supplier markets, such as the semiconductor market, in each case, could either limit supply or increase costs.

A reduction or interruption in supply, including disruptions on our global supply chain, caused in part by public health emergencies, geopolitical tensions (including as a result of the ongoing conflict in Ukraine and in Israel and surrounding regions, as well as China-Taiwan relations); a significant natural disaster (including as a result of climate change); tariffs or other trade restrictions; a significant increase in the price of one or more components (including as a result of inflation); a failure to adequately authorize procurement of inventory by our contract manufacturers; a failure to appropriately cancel, reschedule, or adjust our requirements based on our business needs; or a decrease in demand for our products could materially adversely affect our business, operating results, and financial condition and could materially damage customer relationships. Furthermore, as a result of binding price or purchase commitments with suppliers, we may be obligated to purchase raw materials or components at prices that are higher than those available in the current market. In the event that we become committed to purchasing raw materials or components at prices in excess of the current market price when the raw materials or components are actually used, our gross margins could decrease.

In addition, certain raw materials and key components used in our products are currently available from only one source, and others are available from only a limited number of sources. The availability of these raw materials and supplies may be subject to market forces beyond our control, such as inflation, merger and acquisition activity of our suppliers and consolidation in some segments of our supplier base. We have experienced and expect to continue to experience increased inflationary pressures on input costs, such as, raw materials, supplies, labor and distribution costs. Our attempts to offset these cost pressures, through increases in the selling prices of some of our products, may not be successful and could negatively affect our operating results. In addition, from time to time, there may not be sufficient quantities of raw materials and supplies in the marketplace to meet customer demand. Many companies utilize the same raw materials and supplies that we do in the production of their products. Suppliers may be under pressure to allocate product to certain customers for business, regulatory or political reasons, and/or demand changes in agreed pricing as a condition of supply. As a result, companies with more resources than our own may have a competitive advantage in obtaining raw materials and supplies. These factors have resulted in reduced supply, higher prices of raw materials and delays in the receipt of certain of our key components, which in turn has generated increased costs, lower margins and delays in product delivery, with a corresponding adverse effect on revenue. Delays in product deliveries and corresponding product price increases may likewise have an adverse effect on customer relationships. We attempt to manage these risks through developing alternative sources, by staging inventories at strategic locations, through engineering efforts designed to obviate the necessity of certain components and by building long-term relationships and close contact with each of our key suppliers; however, we cannot assure that delays in or failures of deliveries of key components, either to us or to our contract manufacturers, and consequent delays in product deliveries, will not continue to occur in the future.

We believe that we may be faced with the following challenges in the future: new markets in which we participate may grow quickly, which may make it difficult to quickly obtain significant raw materials and/or components; as we acquire companies and new technologies, we may be dependent on unfamiliar supply chains or relatively small supply partners; and we face competition for certain raw materials or components that are supply-constrained from existing competitors and companies in other markets.

***We compete in markets that have become increasingly competitive, which may result in reduced gross profit margins and market share.***

The markets for our products are intensely competitive. New manufacturers have entered the markets in recent years to offer products in competition with us. Additionally, certain companies have, in recent years, developed the ability to deliver competing products using coaxial cable and cellular transmission, especially in high-density metropolitan areas. Competition will further increase if new companies enter the market or existing competitors expand their product lines. Some of these potential competitors may have greater financial, technological, manufacturing, sales and marketing, and personnel resources. As a result, these competitors may be able to respond more rapidly or effectively to new or emerging technologies and changes in customer requirements, withstand significant price decreases, or devote greater resources to the development, promotion and sale of their products.

Furthermore, we face aggressive price competition and may continue to do so. As a consequence of higher supply chain and manufacturing costs, we have in the past increased the prices of many of our products and services to maintain or improve our revenue and gross margin, and we may do so again in the future. In addition, competitors who have a greater presence in some of the lower-cost markets in which we compete, or who can obtain better pricing, more favorable contractual terms and conditions, or more favorable allocations of products and components during periods of limited supply may be able to offer lower prices than we are able to offer. Our cash flows, results of operations, and financial condition may be adversely affected by these and other industry-wide pricing pressures.

In addition, our present and future competitors may be able to enter our existing or future markets with products or technologies comparable or superior to those that we offer. An increase in competition could cause us to reduce prices, decrease our market share, require increased spending by us on product development and sales and marketing, or cause delays or cancellations in customer orders, any one of which could reduce our gross profit margins and adversely affect our business and results of operations.

***Our estimates regarding future warranty obligations may change due to product failure rates, installation and shipment volumes, field service repair obligations and other rework costs incurred in correcting product failures. If our estimates change, our liability for warranty obligations may increase or decrease, impacting future cost of revenue.***

Our products are highly complex, and we cannot ensure that our extensive product development, manufacturing and integration testing will be adequate to detect all defects, errors, failures and quality issues. Material quality or performance problems for products covered under warranty could adversely impact our reputation and negatively affect our operating results, financial position and cash flows. The development and production of new products with high complexity often involves problems with software, components and manufacturing methods. If significant warranty obligations arise due to reliability or quality issues arising from defects in software, faulty components or manufacturing methods, our operating results, financial position and cash flows could be negatively impacted by:

- costs associated with fixing software or hardware defects;
- costs associated with internal or third-party installation errors;
- high service and warranty expenses;
- costs associated with recalling and replacing products with software or hardware defects, including costs from writing-off defective products recalled or recovering expenses from our suppliers;
- high inventory obsolescence expense;

- delays in collecting accounts receivable;
- payment of liquidated damages for performance failures;
- extended performance bond expenses; and
- a decline in revenue from existing customers.

***Managing our inventory is complex and has included and may continue to include write downs of excess or obsolete inventory.***

Managing our inventory of components and finished products is complicated by a number of factors, including the need to maintain a significant inventory of certain components that are in short supply, that have been discontinued by the component manufacturer, that must be purchased in bulk to obtain favorable pricing or that require long lead times. These issues have and may continue to result in our purchasing and maintaining significant amounts of inventory, which if not used or expected to be used based on anticipated production requirements, may become excess or obsolete. Any excess or obsolete inventory could also result in sales price reductions and/or inventory write-downs, which could adversely affect our business and results of operations. During the year ended December 31, 2023, we recognized write-downs of inventory of \$24.3 million due to a discontinuation of certain product lines within our Network Solutions segment in connection with our Business Efficiency Program. Additionally, during the year ended December 31, 2024, we recognized write-downs of inventory and other charges of \$8.6 million as a result of a strategy shift which included discontinuance of certain items in connection with the Business Efficiency Program, of which, \$4.1 million relates to inventory write-downs and \$4.5 million relates to other charges. Significant and unanticipated changes in our business could require additional charges for inventory write-downs in a future period. Any future charges relating to such inventory write-downs could materially adversely affect our business, financial condition and results of operations in the periods recognized. *For additional details regarding the Business Efficiency Program, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Business Efficiency Program” in Part II, Item 7 of this report.*

***Our international operations have and may continue to expose us to additional risks, increase our costs and adversely affect our operating results, financial condition and cash flows.***

International sales represented 56.8% and 59.8% of our net revenue for the years ended December 31, 2024 and 2023. We have a significant international presence, and our international presence may continue to grow. If we continue to expand our presence in international markets, we expect to continue to experience increased revenue and operating costs in these markets. Furthermore, international expansion may continue to increase our operational risks and impact our results of operations, including:

- foreign currency exchange rate volatility has had and may continue to have an unfavorable impact on our cash flows, financial condition and results of operations;
- exposure to unfavorable commercial terms in certain countries;
- the time and cost to staff and manage foreign operations, including the time and cost to maintain good relationships with employee associations and work councils;
- the time and cost to ensure adequate business interruption controls, processes and facilities;
- the time and cost to manage and evolve financial reporting systems, maintain effective financial disclosure controls and procedures, and comply with corporate governance requirements in multiple jurisdictions;
- the cost to collect accounts receivable and extension of collection periods;
- the cost and potential disruption of facilities transitions required in some business acquisitions;
- risks as a result of less regulation of patents or other safeguards of intellectual property in certain countries;
- the potential impact of adverse tax, customs regulations and transfer-pricing issues;
- exposure to increased price competition from additional competitors in some countries;
- exposure to global social, political and economic instability, changes in economic conditions and foreign currency exchange rate movements;
- potential exposure to liability or damage of reputation resulting from a higher incidence of corruption or unethical business practices in some countries;
- potential regulations on data protection, regarding the collection, use, disclosure and security of data;
- potential trade protection measures, export compliance issues, domestic preference procurement requirements, qualification to transact business and additional regulatory requirements;
- potential exposure to natural disasters, epidemics and pandemics (and government regulations in response thereto) and acts of war or terrorism; and

- potential exposure to ongoing military conflicts, including the conflict in Ukraine and in Israel and surrounding regions. The U.S. and certain other countries-imposed sanctions on Russia in connection with the conflict in Ukraine and could impose further sanctions against it, which could damage or disrupt international commerce and the global economy. Other potential consequences of such military conflicts include, but are not limited to, a heightened risk of cyber-warfare, biological warfare or nuclear warfare, growth in the number of popular uprisings in the affected regions, increased political discontent, especially in the regions most affected by the conflicts or economic sanctions, continued displacement of persons to regions close to the areas of conflict and an increase in the number of refugees, among other unforeseen social and humanitarian effects which could impact our business, customers, and suppliers.

***Our success depends on attracting and retaining key personnel.***

Our business has grown significantly since its inception. Our success is dependent in large part on the continued employment of our executive officers, including Thomas R. Stanton, our Chief Executive Officer, and other key management personnel. There have been, and may continue to be, changes in our management team resulting from the hiring or departure of key personnel, and we have recently made, and may continue to make, changes in compensation that may be viewed as disruptive by our key personnel. These changes may result in increased attrition or reduced productivity of our key personnel as new reporting relationships are established, and as other companies may increasingly target our executives and other key personnel, particularly during the current highly competitive market for qualified personnel. Such changes have and may continue to result in a loss of institutional knowledge, and they may cause disruptions to our business, impede our ability to achieve our objectives, or distract or result in diminished morale in, or the loss of, key personnel. In addition, for Adtran to continue as a successful entity we must also be able to attract and retain key engineers and software developers and architects whose expertise helps us maintain competitive advantages. We believe that our future success will depend, in large part, upon our ability to continue to attract, retain, train and motivate highly-skilled employees who are in great demand. Stock awards are designed to reward employees for their long-term contributions and to provide incentives for them to remain with us. Changes to our overall compensation program, including changes in salaries and our stock incentive program, may adversely affect our ability to retain key employees. Properly managing our continued growth, avoiding the problems often resulting from such growth and expansion and continuing to operate in the manner which has proven successful to us to date remains critical to the future success of our business.

***We are exposed to adverse currency exchange rate fluctuations in jurisdictions where we transact in local currency, which could harm our financial results and cash flows.***

We are exposed to changes in foreign currencies relative to the U.S. dollar, which are references to the differences between the foreign-exchange rates we use to convert the financial results of our international operations from local currencies into U.S. dollars for financial reporting purposes. This impact of foreign-exchange rate changes is calculated based on the difference between the current period's currency exchange rates and that of the comparable prior period. Our primary exposures to foreign currency exchange rate movements are the euro and the British pound sterling. As a result of our global operations, our revenue, gross margins, operating expense and operating income in some international markets have been and may continue to be affected by foreign currency fluctuations.

***We have recognized impairment charges related to goodwill and other intangible assets in the past and may be required to do so in the future.***

The Business Combination added a significant amount of goodwill and other intangible assets to our consolidated balance sheets. In accordance with U.S. GAAP, management periodically assesses these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, the inability to effectively integrate acquired businesses, the under performance of our business as compared to management's initial expectations, unexpected significant changes or planned changes in use of the assets, divestitures, and market capitalization declines may impair goodwill and other intangible assets. During the year ended December 31, 2024, qualitative factors such as a decrease in the Company's market capitalization, lower service provider spending and delayed holding patterns of inventory with respect to customers caused us to reduce our forecasts, triggering a quantitative impairment assessment for our reporting units. The Company determined upon its quantitative impairment assessment to recognize a \$297.4 million non-cash goodwill impairment charge for the Network Solutions reporting unit. The quantitative impairment analysis indicated there was no impairment of the Services & Support goodwill. The Company will continue to monitor its stock price, operating results and other macroeconomic factors to determine if there is further indication of a sustained decline in fair value requiring an event driven assessment of the recoverability of its remaining goodwill. If our assumptions and related estimates change in the future, or if we change our reporting unit structure or other events and circumstances change (e.g., a sustained decrease in the price of our common stock (considered on both absolute terms and relative to peers)), we may be required to record impairment charges when we perform these tests, or in other future periods. A non-cash goodwill impairment charge would have the effect of decreasing earnings or increasing losses in such period. If we are required to take a substantial impairment charge, such impairment charge could have a material adverse effect on our business, financial condition and results of operations in the periods recognized.

***We may be unable to successfully and effectively manage and integrate acquisitions, divestitures and other significant transactions, which could harm our operating results, business and prospects.***

As part of our business strategy, we frequently engage in discussions with third parties regarding possible investments, acquisitions, strategic alliances, joint ventures, divestitures and outsourcing arrangements, and we enter into agreements relating to such transactions in order to further our business objectives. In order to pursue this strategy successfully, we must identify suitable candidates, successfully complete transactions, some of which may be large and complex, and manage post-closing issues such as the integration of acquired companies or employees and the divestiture of combined businesses, operations and employees. Integration, divestiture and other risks

of these transactions can be more pronounced in larger and more complicated transactions, or if multiple transactions are pursued simultaneously. If we fail to identify and successfully complete transactions that further our strategic objectives, we may be required to expend resources to develop products and technology internally. This may put us at a competitive disadvantage and we may be adversely affected by negative market perceptions, any of which may have a material adverse effect on our revenue, gross margin and profitability.

Integration and divestiture issues are complex, time-consuming and expensive and, without proper planning and implementation, could significantly disrupt our business. The challenges involved in integrating and divesting include:

- combining service and product offerings and entering into new markets in which we are not experienced;
- convincing customers and distributors that any such transaction will not diminish client service standards or business focus, preventing customers and distributors from deferring purchasing decisions or switching to other suppliers or Service Providers (which could result in additional obligations to address customer uncertainty), and coordinating service, sales, marketing and distribution efforts;
- consolidating and rationalizing corporate information technology infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code;
- minimizing the diversion of the Board of Directors and management's attention from ongoing business concerns;
- persuading employees that business cultures are compatible, maintaining employee morale and retaining key employees, integrating employees into our company, correctly estimating employee benefit costs and implementing restructuring programs;
- coordinating and combining administrative, service, manufacturing, research and development and other operations, subsidiaries, facilities and relationships with third parties in accordance with local laws and other obligations while maintaining adequate standards, controls and procedures;
- increasing our responsibility for the liabilities of the businesses we acquire, some of which we may not anticipate, including costs of third-party advisors to resolve disputes;
- achieving savings from supply chain and administration integration; and
- efficiently divesting combined business operations which may cause increased costs as divested businesses are de-integrated from embedded systems and operations.

We evaluate and enter into these types of transactions on an ongoing basis. We may not fully realize all of the anticipated benefits of any transaction and the time frame for achieving benefits of a transaction may depend partially upon the actions of employees, suppliers or other third parties. In addition, the pricing and other terms of our contracts for these transactions require us to make estimates and assumptions at the time we enter into these contracts, and, during the course of our due diligence, we may not identify all of the factors necessary to estimate costs accurately. Any increased or unexpected costs, unanticipated delays or failure to achieve contractual obligations could make these agreements less profitable or unprofitable.

Managing these types of transactions require varying levels of management resources, which may divert our attention from other business operations. These transactions could result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, asset impairment charges, charges from the elimination of duplicative facilities and contracts, in-process research and development charges, inventory adjustments, assumed litigation, regulatory compliance and other liabilities, legal, accounting and financial advisory fees and required payments to executive officers and key employees under retention plans. In the Business Combination with Adtran Networks, we have incurred significant restructuring and integration costs and we expect to incur additional restructuring and integration costs and such costs are expected to be material. Moreover, we could incur additional depreciation and amortization expense over the useful lives of certain assets acquired in connection with these transactions, and, to the extent that the value of goodwill or intangible assets acquired in connection with a transaction becomes impaired, we may be required to incur additional material charges relating to the impairment of those assets. For example, during the third quarter of 2023, we recognized a \$37.9 million non-cash goodwill impairment charge related to the Business Combination with Adtran Networks. In order to complete an acquisition, we may issue common shares, potentially creating dilution for existing stockholders, or borrow funds, which could affect our financial condition, results of operations and potentially our credit ratings. Any prior or future downgrades in our credit rating associated with a transaction could adversely affect our ability to borrow and our borrowing cost, and result in more restrictive borrowing terms. In addition, our effective tax rate on an ongoing basis is uncertain, and such transactions could impact our effective tax rate. We also may experience risks relating to the challenges and costs of closing a transaction and the risk that an announced transaction may not close. As a result, any completed, pending or future transactions may contribute to financial results that differ materially from the investment community's expectations.

***Ongoing inflationary pressures have negatively impacted our revenues and profitability.***

Ongoing inflationary pressures have resulted and may continue to result in decreased demand for our products and services, increased manufacturing and operating costs (including our labor costs), reduced liquidity, and limitations on our ability to access credit or otherwise raise debt and equity capital. In the current inflationary environment, because certain of our customer contracts provide for fixed pricing and/or due to our competitor's pricing strategies, we are not always been able to raise the sales prices of our products and



services at or above the rate at which our costs increase, which has reduced our profit and operating margins and has and could continue to have a material adverse effect on our financial results. We also may experience lower than expected sales and potential adverse impacts on our competitive position if there is a decrease in customer spending or a negative reaction to any price increases we are able to implement. A reduction in our revenue would be detrimental to our profitability and financial condition and could also have an adverse impact on our future growth.

#### **Risks related to our control environment**

***We have had to restate our previously issued consolidated financial statements and, as part of that process, have identified material weaknesses in our internal control over financial reporting. If we are unable to develop and maintain effective internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and may adversely affect our business, financial condition and results of operations.***

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Effective internal control over financial reporting is necessary for us to provide reliable financial reporting and prevent fraud. We have had to restate our previously issued consolidated financial statements and, as part of that process, have identified material weaknesses in our internal control over financial reporting. We have implemented several controls with respect to our material weaknesses, and continue to evaluate and implement remedial activities to successfully close all material weaknesses. These remediation measures have been time consuming and costly and there is no assurance that these initiatives will ultimately have the intended effects. Any failure to maintain effective internal control over financial reporting could adversely impact our ability to report our financial position and results from operations on a timely and accurate basis. When our financial statements are not accurate, investors do not have a complete understanding of our operations. Likewise, when our financial statements are not filed on a timely basis we could be subject to sanctions or investigations by the stock exchange on which our common stock is listed, the SEC, the Federal Financial Supervisory Authority, or other regulatory authorities. In either case, there could be an adverse effect on our business, financial condition and results of operations. Ineffective internal control over financial reporting could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

We can provide no assurance that the measures that we have taken, are taking, and plan to take in the future will remediate the material weaknesses identified or that any additional material weaknesses or restatements of financial results will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or circumvention of these controls. In addition, our controls and procedures, they have not been and may not be adequate in the future to prevent or identify irregularities or errors or to facilitate the fair presentation of our consolidated financial statements.

Furthermore, as a public company, we are required to comply with U.S. GAAP, the Sarbanes-Oxley Act of 2002 ("SOX"), the Dodd-Frank Act and the rules and regulations subsequently implemented by the SEC and the Public Company Accounting Oversight Board. As such, Adtran Networks, as a subsidiary of a public company, has established and is required to maintain effective disclosure controls, as well as internal control over financial reporting under U.S. GAAP. Current and ongoing compliance efforts have and may continue to be costly and require the attention of management. There are a large number of processes, policies, procedures and functions that have been integrated, or enhanced at Adtran Networks, particularly those related to the implementation of internal controls for SOX compliance. The maintenance of these processes, policies, procedures and functions has led and may in the future lead to additional unanticipated costs and time delays. These incremental costs may exceed the savings we expect to achieve from the realization of efficiencies related to the combination of the businesses, particularly in the near term and in the event there are material unanticipated costs.

***We may face litigation and other risks as a result our material weaknesses in our internal control over financial reporting and any resulting restatement of our previously issued consolidated financial statements.***

We had to restate our previously issued consolidated financial statements in August 2023, March 2024 and May 2025 and, in connection with those restatements, we identified material weaknesses in our internal control over financial reporting, certain of which have continued as of the date hereof. Until such time as we have remediated our material weaknesses or in the event that we experience an additional material weakness, there is a higher risk of there being an error in our financial statements, which error could be material, thereby resulting in a restatement of our financial statements. In connection with our material weaknesses in our internal control over financial reporting and any future restatement, we face potential for litigation or other disputes which may include, among others, claims invoking the federal and state securities laws, contractual claims or other claims. As of the date of this report, we have no knowledge of any such litigation or dispute. However, we can provide no assurance that such litigation or dispute will not arise in the future. Any such litigation or dispute, whether successful or not, could adversely affect our business, financial condition and results of operations.

***Breaches of our information systems and cyberattacks could compromise our intellectual property and cause significant damage to our business and reputation.***

We maintain sensitive data on our information systems and the networks of third-party providers, including intellectual property, financial data and proprietary or confidential business information relating to our business, customers, suppliers, and business partners. We also produce networking equipment solutions and software used by network operators to ensure security and reliability in their management and transmission of data. Our customers, particularly those in regulated industries, are increasingly focused on the security features of our technology solutions. Maintaining the security of information sensitive to us and our business partners is critical to our business and reputation. We rely upon several internal business processes and information systems to support key operations and

financial functions, and the efficient operation of these processes and systems is critical. Companies are increasingly subjected to cyberattacks and other attempts to gain unauthorized access. Specifically, our network and storage applications and those systems and applications maintained by our third-party providers may be targeted by cyberattacks or potentially breached due to operator error, fraudulent activity, or other system disruptions. Furthermore, we, our employees and some of our third-party Service Providers have been, and anticipate continuing to be, the targets of various cybersecurity threats. These include hacking attacks, social engineering schemes such as "phishing," and business email compromise attacks, wherein attackers impersonate company executives or colleagues in emails to trick employees into transferring funds or revealing sensitive information. Our information systems are designed to reflect industry standards and are engineered to reduce downtime in the event of power outages, weather or climate events and cybersecurity issues. To date, these threats have not had a significant effect on our financial condition or operational results; however, we cannot ensure that future cybersecurity threats might not have a material impact on our business. Unauthorized access to or disclosure of our information could compromise our intellectual property and expose sensitive business information. Additionally, a significant failure or other compromise of our systems due to these issues could result in significant remediation costs, disrupt business operations, and divert management attention, which could result in harm to our business reputation, operating results, financial condition, and cash flows. These risks, as well as the number and frequency of cybersecurity events globally, may also be heightened during times of geopolitical tension or instability between countries. For example, a number of recent cybersecurity events have been alleged to have originated from the ongoing military conflict in Ukraine and in Israel and its surrounding areas. Further, we have incurred, and will continue to incur, expenses to comply with cybersecurity, privacy, and data protection standards and protocols imposed by law, regulation, industry standards and contractual obligations. Continued increases in legislation and regulation from a variety of international, federal and state authorities regarding cybersecurity incidents, including risk assessment, notification obligations, regulatory reporting and other requirements, could increase our cost of compliance and could subject us to additional liability and reputational harm. And while we may be entitled to damages if our third-party providers fail to satisfy their security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award. Additionally, while we have purchased cybersecurity insurance, there are no assurances that the coverage would be adequate in relation to any incurred losses or not subject to any exclusions. Moreover, as cyberattacks increase in frequency and magnitude, we may be unable to obtain cybersecurity insurance in amounts and on terms we view as adequate for our operations.

*For information on our cybersecurity risk management, strategy and governance, see Part I, Item 1C of this report.*

#### **Risks related to the telecommunications industry**

***We must continue to update and improve our products and develop new products to compete and to keep pace with improvements in communications technology.***

The markets for our products are characterized by rapidly changing technology, evolving industry standards and continuing improvements in the communications service offerings of Service Providers. If technologies or standards applicable to our products, or Service Provider offerings based on our products, become obsolete or fail to gain widespread commercial acceptance, our existing products or products under development may become obsolete or unmarketable, which can result in the discontinuation of products and write off of related inventory. For example, during the quarters ended March 31, 2024 and September 30, 2023, management determined that there would be a strategy shift which resulted in a discontinuation of certain product lines in the Network Solutions segment. For more information, see Note 5 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report. Moreover, the introduction of products embodying new technologies, the emergence of new industry standards, or changes in Service Provider offerings could adversely affect our ability to sell our products.

Our revenue and profitability in the past have, to a significant extent, resulted from our ability to anticipate changes in technology, industry standards and Service Provider offerings, and to develop and introduce new and enhanced products. Our continued ability to adapt will be a significant factor in maintaining or improving our competitive position and our prospects for growth. We cannot assure that we will be able to respond effectively to changes in technology, industry standards, Service Provider offerings or new product announcements by our competitors. We also cannot assure that we will be able to successfully develop and market new products or product enhancements, or that these products or enhancements will achieve market acceptance. We also may not have sufficient resources to make the technological advances necessary to be competitive and successful in the markets we serve. Any failure by us to continue to anticipate or respond in a cost-effective and timely manner to changes in technology, industry standards, Service Provider offerings or new product announcements by our competitors, or any significant delays in product development or introduction, could have a material adverse effect on our ability to competitively market our products and on our revenue, results of operations, financial condition and cash flows.

***Our failure or the failure of our contract manufacturers to comply with applicable environmental regulations could adversely impact our results of operations.***

The manufacture, assembly and testing of our products at times requires the use of hazardous materials that are subject to environmental, health and safety regulations. In particular, our manufacturing operations use substances that are regulated by various federal, state, local, foreign and international laws and regulations governing health, safety and the environment, including U.S. Environmental Protection Agency regulations and the Waste Electrical and Electronic Equipment Directive, Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment and Registration, Evaluation, Authorization, and Restriction of Chemicals regulations adopted by the EU. Our failure or the failure of our contract manufacturers to comply with any of these applicable requirements could result in regulatory penalties, legal claims or disruption of production. In addition, our failure or the failure of our contract manufacturers to properly manage the use, transportation, emission, discharge, storage, recycling or disposal of hazardous materials could subject us to increased costs or liabilities. Existing and future environmental regulations may restrict our use of certain materials to manufacture, assemble and test products. Any of these consequences could adversely impact our results of operations by increasing our expenses and/or requiring us to alter our manufacturing processes.

***If our products do not interoperate with our customers' networks, installations may be delayed or canceled, which could harm our business.***

Our products must interface with existing networks, each of which may have different specifications, utilize multiple protocol standards and incorporate products from other vendors. Many of our customers' networks contain multiple generations of products that have been added over time as these networks have grown and evolved. Our products may be required to interoperate with many or all of the products within these networks, as well as future products to meet our customers' requirements. If we find errors in the existing software or defects in the hardware used in our customers' networks, we may have to modify our software or hardware to fix or overcome these errors so that our products will interoperate with the existing software and hardware. Implementation of product corrections involving interoperability issues could increase our costs and adversely affect our results of operations. Such issues may affect our ability to obtain product acceptance from other customers.

***We engage in research and development activities to develop new, innovative solutions and to improve the application of developed technologies, and as a consequence may miss certain market opportunities enjoyed by larger companies with substantially greater research and development efforts and which may focus on more leading edge development.***

A portion of our research and development activities are focused on the continued innovation of currently accepted access and edge transmission technologies in order to deliver faster internet speeds, more capacity, better quality of service and operational efficiency. These research and development efforts result in improved applications of technologies for which demand already exists or is latent. We also focus our research and development efforts on developing software, solutions and platforms that enable Service Providers to increase revenue-generating service velocity, reducing operational costs, increasing scale and providing service agility. We rarely engage in research projects that represent a vast departure from the current business practices of our key customers. While we believe our strategy provides a higher likelihood of producing nearer term or more sustainable revenue streams, this strategy could result in lost revenue opportunities and higher operating expenses should a new technology achieve rapid and widespread market acceptance. When we do engage in research and development activities for new, leading-edge technologies and market approaches, there is no guarantee that those technologies or market approaches will be successful or that they will be adopted and purchased by our customers.

***Our strategy of outsourcing a portion of our manufacturing requirements to subcontractors located in various international regions may result in us not meeting our cost, quality or performance standards.***

We are heavily dependent on subcontractors for the assembly and testing of certain printed circuit board assemblies, subassemblies, chassis, enclosures and equipment shelves, and the purchase of some raw materials used in such assemblies. This reliance involves several risks, including the unavailability of, or interruptions in, access to certain process technologies and reduced control over product quality, delivery schedules, transportation, manufacturing yields and costs. We may not be able to provide product order volumes to our subcontractors that are high enough to achieve sufficient cost savings. If shipments fall below forecasted levels, we may incur increased costs or be required to take ownership of excess inventory. In addition, these same suppliers may decide to no longer manufacture or support specific components necessary for some of our legacy products, which could lead to our inability to fulfill demand without increased engineering and material costs necessary to replace such components or cause us to transition such products to end-of-life status sooner than planned. Further, our suppliers could enter into exclusive arrangements with our competitors, refuse to sell their products or components to us at commercially reasonable prices or at all, go out of business or discontinue their relationships with us. We also have experienced and expect to continue to experience ongoing inflationary pressures on input costs, such as, raw materials, labor and distribution costs. Our attempts to offset these cost pressures, such as through increases in the selling prices of some of our products and services, may not be successful and could negatively affect our operating results. In addition, a significant component of maintaining cost competitiveness is the ability of our subcontractors to adjust their costs to compensate for possible adverse exchange rate movements. To the extent that the subcontractors are unable to do so, and we are unable to procure alternative product supplies, then our competitiveness and results of operations could be adversely impaired. These risks may be exacerbated by economic, regulatory or political changes or uncertainties, terrorist actions, acts of war, the effects of climate change, natural disasters or pandemics in the foreign countries in which our subcontractors are located. These risks could also be heightened by geopolitical factors. For example, the renegotiation or termination of existing bilateral and multilateral trade agreements, as well as, changes in international tariff structures, could adversely impact our product costs. In addition, a number of the components we use in our products are sourced directly or

indirectly through Taiwan. Deterioration of relations between Taiwan and China and the United States, the resulting actions taken by any of these parties, and other factors affecting the political or economic conditions of Taiwan in the future, could adversely impact our supply chain, international sales, and operations.

We cannot be assured that delays in product deliveries will not occur in the future because of shortages resulting from this limited number of subcontractors or from the financial or other difficulties of these parties. Our inability to identify and engage alternative subcontractors if and as required in the future, or the need to undertake required retraining and other activities related to establishing and developing a new subcontractor relationship, could result in delays or reductions in product shipments which, in turn, could have a negative effect on our customer relationships and operating results.

***Our failure to maintain rights to intellectual property used in our business could adversely affect the development, functionality and commercial value of our products.***

Our future success depends in part upon our proprietary technology. Although we attempt to protect our proprietary technology by contract, trademark, copyright and patent registration and internal security, including trade secret protection, these protections may not be adequate. Furthermore, our competitors can develop similar technology independently without violating our proprietary rights. From time to time, we receive and may continue to receive notices of claims alleging that we are infringing upon patents or other intellectual property. Any of these claims, whether with or without merit, could result in significant legal fees, divert our management's time, attention and resources, delay our product shipments or require us to enter into royalty or licensing agreements. We cannot predict whether we will prevail in any claims or litigation over alleged infringements, or whether we will be able to license any valid and infringed patents, or other intellectual property, on commercially reasonable terms. If claims of intellectual property infringement against us are successful and we fail to obtain a license or develop or license non-infringing technology, our business, operating results, financial condition and cash flows could be materially adversely affected.

***Third party hardware or software that is used with our portfolios may not continue to be available or at commercially reasonable terms.***

We integrate third-party software into certain of our products. Licenses for this technology may not be available or continue to be available to us on commercially reasonable terms. Difficulties with third-party technology licensors could result in the termination of such licenses, which may result in increased costs or require us to purchase or develop a substitute technology. Difficulty obtaining and maintaining third-party technology licenses may disrupt the development of our products and increase our costs, which could harm our business.

***Our use of open source software could impose limitations on our ability to commercialize our products.***

Several of our solutions utilize elements of open source or publicly available software. Although we closely monitor our use of open source software, the terms of many open source software licenses have not been interpreted by the courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to sell our products. In such event, we could be required to make our proprietary software generally available to third parties, including competitors, at no cost, to seek licenses from third parties in order to continue offering our products, to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis or at all, any of which could adversely affect our revenue and operating profitability.

***We may incur liabilities or become subject to litigation that would have a material effect on our business.***

In the ordinary course of business, we accept purchase orders, and enter into sales and other related contracts, for the marketing, sale, manufacture, distribution or use of our products and services. We may incur liabilities relating to our performance under such agreements, or which result from damage claims arising from certain events as outlined within the particular contract. While we attempt to include reasonable limitations of liability and other protective measures to all agreements, such agreements may not always contain, or be subject to, maximum loss clauses and liabilities arising from them may result in significant adverse changes to our results of operations, financial condition and cash flows.

In the ordinary course of business, we are subject to various legal proceedings and claims, including employment disputes, patent claims, disputes over contract agreements and other commercial disputes. In some cases, claimants seek monetary recovery, or other relief, including damages such as royalty payments related to patents, lost profits or injunctive relief, which, if granted, could require significant expenditures. Any such disputes may be resolved before trial, or if tried, may be resolved in our favor; however, the cost of claims sustained in litigation, and costs associated with the litigation process, may not be covered by our insurance. Such costs, and the demands on management time during such an event, could harm our business, reputation and have a material adverse effect on our liquidity, results of operations, financial condition and cash flows.

In addition, as a result of the Business Combination with Adtran Networks SE, we continue to be exposed to litigation risk and uncertainty associated with the remaining minority shareholders of Adtran Networks. The terms of the DPLTA, including the adequacy of compensation payments to minority Adtran Networks shareholders under the terms of the DPLTA, have been challenged by minority shareholders of Adtran Networks by initiating court-led appraisal proceedings under German law. It is possible that the court in these appraisal proceedings may hold that we must pay higher Exit Compensation or Annual Recurring Compensation to such Adtran Networks SE shareholders than agreed upon in the DPLTA, the financial impact and timing of which is uncertain.

***If we are unable to successfully develop and maintain relationships with SIs, Service Providers and enterprise VARs, our revenue may be negatively affected.***

As part of our sales strategy, we are targeting SIs, Service Providers and enterprise VARs. In addition to specialized technical expertise, SIs, Service Providers and VARs typically offer sophisticated service capabilities that are frequently desired by enterprise customers. To expand our distribution channel to include resellers with such capabilities, we must be able to provide effective support to these resellers. If our sales, marketing or service capabilities are not sufficient to provide effective support to such SIs, Service Providers and VARs, our revenue may be negatively affected, and current SI, Service Provider and VAR partners may terminate their relationships with us, which would adversely impact our revenue and overall results of operations.

***We depend on a third-party cloud platform provider to host our Mosaic One SaaS network and other operating platforms, and if we were to experience a material disruption or interference in service, our business and reputation could suffer.***

Our quality of customer service and our continued growth depends in part on the ability of our existing and potential customers to use and access our Mosaic One SaaS network operating platform. We use third-party service providers that we do not control for key components of our infrastructure, particularly with respect to delivery of our SaaS products. The use of these service providers gives us greater flexibility in efficiently delivering a more tailored, scalable customer experience, but also exposes us to additional risks and vulnerabilities. Third-party service providers operate their own platforms that we access, and we are, therefore, vulnerable to their service interruptions. In the future, we may experience interruptions, delays and outages in service and availability from time to time as a result of our third-party service providers' infrastructure. Lack of availability of this infrastructure could be due to a number of potential causes including technical failures, natural disasters, fraud or security attacks that we cannot predict or prevent. Such outages could adversely impact our business, reputation, financial condition and results of operations.

#### **Risks related to the Company's stock price**

***Our operating results historically have fluctuated and are likely to continue to fluctuate in future periods. Such fluctuations can adversely affect our stock price.***

Our operating results have been, and will continue to be, subject to quarterly and annual fluctuations as a result of numerous factors. These factors include, but are not limited to:

- fluctuations in demand for our products and services, especially with respect to significant network expansion projects undertaken by Service Providers;
- continued growth of communications network traffic and the adoption of communication services and applications by enterprise and consumer end users;
- changes in sales and implementation cycles for our products and reduced visibility into our customers' spending plans and associated revenue, especially should a slowdown in communications industry spending occur due to economic downturns, tight capital markets, or declining liquidity trends;
- reductions in demand for our traditional products as new technologies gain acceptance;
- our ability, and that of our distributors, to maintain appropriate inventory levels and related purchase commitments;
- price and product competition in the communications and networking industries, which can change rapidly due to technological innovation;
- the overall movement toward industry consolidation among both our competitors and our customers;
- our dependence on sales of our products by channel partners and the timing of their replenishment orders. Specifically, our sales volume in 2024 has been negatively impacted due to our channel partners focus on reducing inventory levels;
- the potential for conflicts and competition involving our channel partners and large end-user customers and the potential for consolidation among our channel partners;
- variations in sales channels, product cost or mix of products and services sold;
- delays in receiving acceptance, as defined under contract, from certain customers for shipments or services performed near the end of a reporting period;
- our ability to maintain high levels of product support and professional services;
- manufacturing and customer order lead times, and potential restrictions in the supply of key components;
- fluctuations in our gross margin and the factors that contribute to this (as described above);
- our ability to achieve cost reductions;
- the ability of our customers, channel partners and suppliers to obtain financing or to fund capital expenditures;
- our ability to execute on our strategy and operating plans;

- benefits anticipated from our investments in engineering, sales and marketing activities;
- the effects of climate change and other natural events;
- the effect of political or economic conditions, including the effect of tariffs or so-called “trade wars” on us and our supply chain, acts of war, terrorist attacks or other unrest in certain international markets; and
- changes in tax laws and regulations or accounting pronouncements.

***Future issuances of additional equity securities could result in dilution of existing stockholders’ equity ownership.***

We may determine from time to time to issue additional equity securities to raise additional capital, to support growth, or to make acquisitions. Furthermore, we may issue stock options, grant restricted stock awards or other equity awards to retain, compensate and/or motivate our employees and directors. The issuance of additional shares of common stock could result in the dilution of the voting and economic interests of existing stockholders. Furthermore, as part of our business strategy, we may acquire additional shares of Adtran Networks’ common stock and issue equity securities to pay for any such acquisitions. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. Any such issuances of additional share capital may cause stockholders to experience significant dilution of their ownership interests and the per share value of our common stock to decline.

***The price of our common stock has been volatile and may continue to fluctuate significantly.***

Our common stock is traded on the NASDAQ Global Select Market under the symbol ADTN and on the Frankfurt Stock Exchange under the symbol QH9. Since our initial public offering in August 1994, there has been, and may continue to be, significant volatility in the market for our common stock, based on a variety of factors, including factors listed in this section, some of which are beyond our control.

**Risks related to the regulatory environments in which we do business**

***We are subject to complex and evolving U.S. and foreign laws, regulations and standards governing the conduct of our business. Violations of these laws and regulations may harm our business, subject us to penalties and to other adverse consequences.***

We are subject to laws and regulations that govern conduct by our Company, our employees and agents and the manufacture, sale and use of our products. Our inability to comply with current and evolving laws and regulations governing our business domestically and internationally may adversely affect our revenue, results of operations, financial conditions and cash flows. New and changing laws, regulations and industry practices could require us to modify our business, products or services offered, potentially in a material manner, and may limit our ability to develop new products, services and features. If we violate these laws and regulations, governmental authorities in the U.S. and in foreign jurisdictions could seek to impose civil and/or criminal fines and penalties which could have an adverse effect on our reputation, as well as our results of operations, financial condition and cash flows.

These laws and regulations include, but are not limited to:

- various regulations and regional standards established by communications authorities and import/export control authorities that govern the manufacture, sale and use of our products. Changes in domestic or international communications regulations, tariffs, potential changes in trade policies by the U.S. and other nations, application requirements, import/export controls or expansion of regulation to new areas, including access, communications or commerce over the internet, may affect customer demand for our products or slow the adoption of new technologies which may affect our revenue. Further, the cost of complying with the evolving standards and regulations, including the cost of product re-design if necessary, or the failure to obtain timely domestic or foreign regulatory approvals or certification such that we may not be able to sell our products where these standards or regulations apply, may adversely affect our revenue, results of operations, financial condition and cash flows.
- compliance with a wide variety of provincial, state, national and international laws and regulations applicable to the collection, use, retention, protection, disclosure, transfer and other processing of data, including personal data. Foreign data protection, privacy and other laws and regulations, including GDPR, are often more restrictive than those in the U.S. These data protection and privacy-related laws and regulations are varied, evolving, can be subject to significant change, may be augmented or replaced by new or additional laws and regulations and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. For example, within the past three years, numerous states have adopted or are in the process of adopting various privacy-related laws and regulations. In addition, on July 16, 2020, the Court of Justice of the European Union issued a decision that invalidated the EU-U.S. Privacy Shield framework as a basis for transfers of personal data from the EU to the U.S., resulting in uncertainty and potential additional compliance obligations to ensure that a valid basis under the GDPR exists for these data transfers. Since that time, the E.U. and U.S. have developed the successor E.U.-U.S. Data Privacy Framework to address the 2020 decision, and on July 10, 2023, the European Commission issued an adequacy decision for the EU-US Data Privacy Framework, which entered in force on July 11, 2023; however, there are indications there may be legal challenges to the decision. Additionally, the European Commission published revised standard contractual clauses for data transfers from the European Economic Area in 2021, which were required to go into effect by December 2022. Finally, the U.K. has enacted a version of the GDPR the implementation of which occurred by way of the Data Protection Act 2018, collectively referred to as the “U.K. GDPR.”

Uncertainty remains, however, regarding how aspects of data protection in the U.K. will be handled in the medium to long term. There is also a risk that we, directly or as the result of a third-party Service Provider we use, could be found to have failed to comply with the laws and regulations applicable in a jurisdiction regarding the collection, consent, handling, transfer or disposal of personal data. In addition to the U.S. and Europe, we do business in numerous other countries around the globe. Those countries and jurisdictions may have, currently or in the future, data protection or privacy laws or regulations with similar or additional requirements, resulting in increased compliance costs and regulatory risk.

- the FCPA, which prohibits U.S. companies and their intermediaries from making corrupt payments to foreign officials for the purpose of directing, obtaining or keeping business, and requires companies to maintain reasonable books and records and a system of internal accounting controls. The FCPA applies to companies, individual directors, officers, employees and agents. Under the FCPA, U.S. companies may be held liable for the corrupt actions taken by employees, strategic or local partners or other representatives. On February 10, 2025, the U.S. government temporarily paused the enforcement of the FCPA. Whether FCPA enforcement will resume in the future and the extent to which it will be enforced remains uncertain.
- environmental, health and safety regulations governing the manufacture, assembly and testing of our products, including without limitation regulations governing the use of hazardous materials. Our failure or the failure of our contract manufacturers to properly manage the use, transportation, emission, discharge, storage, recycling or disposal of hazardous materials could subject us to increased costs or liabilities. Existing and future environmental regulations may restrict our use of certain materials to manufacture, assemble and test products.
- requirements by the SEC governing the disclosure regarding the use of conflict minerals mined from the Democratic Republic of the Congo and adjoining countries (the “DRC”) and disclosure with respect to procedures regarding a manufacturer’s efforts to prevent the sourcing of such minerals from the DRC. Certain of these minerals are present in our products. SEC rules implementing these requirements may have the effect of reducing the pool of suppliers that can supply “conflict free” components and parts, and we may not be able to obtain conflict free products or supplies in sufficient quantities for our operations. Because our supply chain is complex, we may face reputational challenges with our customers, stockholders and other stakeholders if we are unable to verify sufficiently the origins for the conflict minerals used in our products and cannot assert that our products are “conflict free.” Environmental or similar social initiatives may also make it difficult to obtain supply of compliant components or may require us to write off non-compliant inventory, which could have an adverse effect on our business and operating results.
- the insider trading prohibitions and the respective directors' dealing rules, as well as disclosure and reporting obligations under the German Securities Trading Act (*Wertpapierhandelsgesetz*) and Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014, and other applicable regulations.

Moreover, changes in the U.S. political landscape can significantly impact our business. The recent changes in the U.S. government administration may result in substantial modifications to laws and regulations, including, but not limited to, those related to trade policies, tariffs, export controls and technology transfers. New executive orders and legislative actions could alter the business environment in which we operate.

***Changes in trade policy in the U.S. and other countries, including the imposition of additional tariffs and the resulting consequences, may adversely impact our gross profits, gross margins, results of operations and financial condition.***

In recent years, international market conditions and the international regulatory environment have been increasingly affected by competition among countries and geopolitical frictions. The U.S. government issued orders in February 2025 increasing tariffs on imports from certain countries, including Canada, China and Mexico, and it has discussed further tariffs, including plans to increase U.S. tariffs to match the rates that other countries charge on imports and tariffs on semiconductors, automobiles and pharmaceuticals imported into the U.S. While the implementation of tariffs on Canadian and Mexican imports was initially deferred, such tariffs are expected to go into effect in March 2025 and the U.S. has increased tariffs on goods imported into the U.S. from China by 10%. In response, China imposed a 15% tariff on U.S. coal and liquified natural gas products, along with a 10% tariff on crude oil. The U.S. government has indicated that an additional 10% duty on Chinese imports may be forthcoming, which may result in further tariffs on U.S. products being imported into China. The recent tariffs come on top of ongoing trade tensions and regulatory actions involving the governments of the U.S. and China. Moreover, on February 11, 2025, the U.S. government ordered tariffs of 25% on imports of steel and aluminum regardless of where they originate.

Because not all products can be sourced in all countries, we expect to experience increased costs in our supply chain as a result of such tariffs, which may lead to reduced margins or increased prices. At this time, it remains unclear what additional actions, if any, will be taken by the U.S. or other governments with respect to international trade agreements, the imposition of tariffs on goods imported into the U.S. or exported to other countries, tax policy related to international commerce, increased export control, sanctions and investment restrictions, import or use of foreign communications equipment, or other trade matters. Related costs and the uncertainty during transition periods could lead to changes in buying behavior, such as decreased demand. These impacts could have a negative effect on our financial results, including our revenue and profitability. There can also be no assurance that further trade tensions between the U.S. and China will not have an adverse impact on our business, operations and access to technology, or components thereof, sourced from China.

Furthermore, tariffs on our customers' products may adversely affect our gross profit margins in the future due to the potential for increased pressure on our selling prices by customers seeking to offset the impact of tariffs on their own products. In addition, tariffs could make our products less attractive relative to products offered by competitors, which may not be subject to similar tariffs. Increases in tariffs on imported goods or the failure to resolve current international trade disputes could further decrease demand and have a material adverse effect on our business and operating results.

***New or revised tax regulations, changes in our effective tax rate, recognition of a valuation allowance or assessments arising from tax audits may have an adverse impact on our results.***

We are subject to taxation in various jurisdictions, both domestically and internationally, in which we conduct business. Significant judgment is required in the determination of our provision for income taxes, and this determination requires the interpretation and application of complex and sometimes uncertain tax laws and regulations. Our effective tax rate may be adversely impacted by changes in the mix of earnings between jurisdictions with different statutory tax rates, in the valuation of our deferred tax assets, and by changes in tax rules and regulations. We continually monitor our deferred tax assets and when it becomes more likely than not that a tax benefit will not be recognized, a valuation allowance is recorded against those assets. In addition, we are subject to examination of our income tax returns by the Internal Revenue Service and various other tax authorities in the jurisdictions in which we conduct business. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these continuous examinations will not have an adverse effect on our results of operations, financial condition and cash flow. Additionally, we continually review the adequacy of the valuation allowance and recognize the benefits of deferred tax assets only as the reassessment indicates that it is more likely than not that the deferred tax assets will be recognized. As such, we may release a portion of the valuation allowance or establish a new valuation allowance based on operations in the jurisdictions in which these assets arose. Management continues to evaluate all evidence including historical operating results, the existence of losses in the most recent year, forecasted earnings, future taxable income and tax planning strategies. Should management determine that a valuation allowance is needed in the future due to not being able to absorb deferred tax assets, it would have a material impact on our consolidated financial statements.

In August 2022, the Inflation Reduction Act was signed into law, which made a number of changes to the Internal Revenue Code, including adding a 1% excise tax on stock buybacks by publicly traded corporations and a 15% corporate minimum tax on adjusted financial statement income of certain large companies. The impact of these provisions on our effective tax rate will also depend on additional guidance to be issued by the Secretary of the U.S. Department of the Treasury. We are currently evaluating the impact of these provisions on our effective tax rate. Further, the Tax Act amended the Internal Revenue Code to require that specific research and experimental ("R&E") expenditures be capitalized and amortized over five years (U.S. R&E) or fifteen years (non-U.S. R&E), which began in fiscal 2023. Although the U.S. Congress has considered legislation that would defer, modify, or repeal the capitalization and amortization requirement, there is no assurance that the provision will be deferred, repealed, or otherwise modified. If the requirement is not repealed or otherwise modified, it may increase our effective tax rate. Additionally, the Organization for Economic Co-operation and Development (the "OECD"), the G20, and other invited countries developed a global tax framework inclusive of a 15% global minimum tax under the Pillar Two Global Anti-Base Erosion Rules ("Pillar Two"). On December 15, 2022, the Council of the European Union ("EU") formally adopted the OECD's framework to achieve a coordinated implementation amongst EU Member States consistent with EU law. The EU's Pillar Two Directive effective dates are January 1, 2024, and January 1, 2025, for different aspects of the directive. Various countries have enacted or are in the process of enacting legislation to adopt certain parts of the OECD's proposals.



We have assessed the framework including OECD administrative guidance and expect, based upon available guidance, that these changes will not have a material impact to our results of operations; however, any future changes in OECD guidance or interpretations, could impact our initial assessment. Many aspects of the minimum tax directive will be effective beginning in fiscal 2025, with certain remaining impacts to be effective beginning in fiscal 2026. While it is uncertain whether the U.S. will enact legislation to adopt the minimum tax directive, certain countries in which we operate have adopted legislation, and other countries are in the process of introducing legislation to implement the minimum tax directive.

***Interest rate fluctuations could increase our costs of borrowing money and negatively impact our financial condition and future operations.***

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Changes in interest rates have impacted and may in the future further impact our costs of borrowing money under certain of our debt facilities with variable interest rates, which could negatively impact our financial condition and future operations.

We seek to only enter into transactions with creditworthy banks and financial institutions. To assess the creditworthiness of banks, we utilize current credit ratings from rating agencies, such as S&P, Moody's and Fitch, as well as current default rates (credit default swaps). We are also in frequent dialogue with customers and suppliers to assess counterparty risks. Nevertheless, many of these transactions expose us to credit risk in the event of our counterparty's default. Any such losses could be material and could materially and adversely affect our business, financial condition and results of operations.

***Expectations relating to ESG considerations expose the Company to potential liabilities, increased costs, reputational harm, and other adverse effects on the Company's business.***

Many governments, regulators, investors, employees, customers and other stakeholders are increasingly focused on ESG considerations relating to businesses, including climate change and greenhouse gas emissions, human and civil rights, and diversity, equity and inclusion. In addition, we may make statements about our ESG goals and initiatives through our website, press statements and other communications. Responding to these environmental, social and governance considerations and implementation of these goals and initiatives involves risks and uncertainties, requires investments, and depends in part on third-party performance or data that is outside of our control. Any failure, or perceived failure, by us to achieve our targets, further our initiatives, adhere to our public statements, comply with federal, state or international ESG laws and regulations, or meet evolving and varied stakeholder expectations and standards could result in legal and regulatory proceedings against us and materially adversely affect our business, reputation, results of operations, financial condition and stock price.

In addition, simultaneous, disparate and divergent sentiments on ESG-related matters from multiple stakeholder groups must be considered. For example, there is an increasing number of anti-ESG initiatives in the U.S. that may conflict with other regulatory requirements or our various stakeholders' expectations. Such divergent, sometimes conflicting views on ESG-related matters increase the risk that any action or lack thereof by us on such matters will be perceived negatively by some stakeholders.

***Further downgrades of the U.S. credit rating, impending automatic spending cuts or a government shutdown could negatively impact our liquidity, financial condition and earnings.***

U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the United States. Although U.S. lawmakers passed legislation to raise the federal debt ceiling on multiple occasions, including a suspension of the federal debt ceiling in June 2023, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States.

On January 21, 2025, the U.S. Treasury began taking extraordinary measures to prevent a default on U.S. government debt, which measures are expected to continue until such time as the U.S. Congress increases the debt ceiling. However, it is unclear how long such extraordinary measures will forestall a default in the event of extended Congressional negotiations or inaction.

The impact of this or any further downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. Absent further quantitative easing by the Federal Reserve, these developments could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. On December 21, 2024, the previous administration signed a continuing resolution to extend federal spending and avert a government shutdown through March 14, 2025. Accordingly, without a final agreement regarding the federal budget in place prior to the expiration of the continuing resolution, or another continuing resolution, it is still possible that a partial shutdown of the U.S. government may occur. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

## ***ITEM 1B. UNRESOLVED STAFF COMMENTS***

---

None.

## ***ITEM 1C. CYBERSECURITY***

---

### ***Risk Management and Strategy***

We recognize the importance of establishing governance and oversight over cybersecurity risks, and we have implemented mechanisms, controls, technologies, and processes designed to help us assess, identify, and manage these risks.

The landscape of cyber threats is constantly evolving, making it increasingly challenging to effectively defend against them or implement sufficient preventative measures. We have observed a rise in the volume, frequency, and sophistication of cyber-attacks. There can be no assurance that our controls and procedures in place to monitor and mitigate the risks of cyber threats, including the remediation of critical information security and software vulnerabilities, will be sufficient and/or timely and that we will not suffer material losses or consequences in the future. Additionally, while we have in place insurance coverage designed to address certain aspects of cyber risks, such insurance coverage may be insufficient to cover all insured losses or all types of claims that may arise. For more information regarding the cybersecurity risks that we face, see “Risks Related to Our Control Environment – Breaches of our information systems and cyberattacks could compromise our intellectual property and cause significant damage to our business and reputation” included as part of our risk factor disclosures in Part I, Item 1A of this report.

We have adopted and continue to maintain a cybersecurity risk management program that implements various controls, technology, and procedures for the evaluation, identification, and handling of significant cybersecurity risks that could impact the confidentiality, integrity, or availability of our information systems.

Our practices include providing ongoing security awareness training for our global workforce, conducting ransomware and phishing simulations, deploying advanced tools for detecting and analyzing anomalous network activities, and implementing robust containment and incident response procedures. We leverage threat intelligence from our security vendors, as well as from trusted sources such as CISA and the FBI, to enhance our defenses and stay ahead of emerging threats. Additionally, we are committed to staying aligned with the latest industry standards and actively participating in industry forums to exchange insights and proactively address evolving cybersecurity challenges.

A critical component of our cybersecurity strategy is the integration of a third-party Security Operations Center support, which monitors our global network environment on a 24/7/365 basis, and is designed to rapidly identify and respond to threats. This program monitors both internally detected and externally reported vulnerabilities that could impact our products, which are then evaluated for their cybersecurity implications according to Company protocols. We also utilize third-party service providers as part of our cybersecurity risk management program and maintain a framework for managing cybersecurity risks presented by our third-party Service Providers. This framework governs the third party’s security management system and mandates that the program (i) adhere to certain information handling and asset management protocols and (ii) promptly notify us of any cybersecurity incidents that impact its systems.

Our enterprise risk management (“ERM”) framework is designed to systematically integrate the assessment, identification, and handling of cybersecurity-related risks into our broader risk management strategy. This process involves an annual evaluation of the spectrum of risks facing the enterprise, including those related to cybersecurity. When elevated cybersecurity risks are detected, designated risk owners are tasked with formulating and overseeing the execution of targeted mitigation strategies.

We did not experience any material losses relating to cybersecurity threats or incidents for the year ended December 31, 2024. We are not aware of any risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected us or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition.

### ***Governance***

Adtran maintains a cybersecurity governance structure led by its Information Security Management “ISM” team, which oversees the Company’s cybersecurity risk management efforts. The ISM team ensures that appropriate controls are in place to protect Adtran’s corporate assets, ensuring their availability, confidentiality, and integrity. This risk management approach informs strategic decision-making, resource allocation, and oversight mechanisms. The governance of Adtran’s cybersecurity program is ultimately the responsibility of the Board of Directors, with the Audit Committee providing critical oversight through regular reviews and periodic updates at least quarterly, or more frequently as needed.

The Company’s cybersecurity leadership includes the Chief Information Officer “CIO”/Chief Information Security Officer “CISO”, who is responsible for governing and protecting Adtran’s information assets, leading the cybersecurity strategy, and reporting directly to the Chief Executive Officer. The CIO/CISO ensures compliance with ISO 27001, oversees annual external audits, and leads the monthly Information Technology Cybersecurity meetings and the Data Privacy Committee. Since joining Adtran in November 2018, the CIO/CISO has leveraged extensive leadership experience to enhance the company’s security posture. Additionally, the Chief Technology Officer (“CTO”), who joined the company in January 2023 following the Business Combination, plays a key role in product security oversight, drawing on prior experience as Adtran Networks’ CTO leading their product management and advanced technology teams. Our CTO helps oversee our product security programs.

Adtran employs a comprehensive cybersecurity program that integrates proactive risk management strategies to identify, assess, and mitigate cybersecurity threats. Key elements of this program include an Incident Response Plan to manage and resolve security incidents,

regular vulnerability scanning to identify and address potential risks, and a structured patch management process to ensure timely remediation of security vulnerabilities. Additionally, the Company has established a dedicated Product Security Incident Response Team (PSIRT) to assess and respond to product security vulnerabilities. To strengthen its security culture, Adtran implements a Cybersecurity Testing and Awareness Program, requiring all employees to participate in quarterly cybersecurity assessments and complete mandatory annual training. This initiative ensures that employees remain well-informed about emerging cybersecurity threats and best practices, reinforcing a proactive security mindset across the organization.

Cybersecurity risk management is integrated into Adtran's Enterprise Risk Management "ERM" program, in order to provide for continuous oversight and executive engagement. The ERM program undergoes quarterly executive reviews and annual assessments by the Board of Directors, and the Board receives regular briefings on cybersecurity risks, regulatory compliance, and security program updates from management. Key policies include the Information Security Program, which establishes governance principles across facilities, employees, business partners, and customers; the Cybersecurity Framework, which ensures compliance with ISO 27001 and industry standards; employee handbooks outlining security best practices; and the Incident Response Plan, which includes a material impact assessment workflow to support timely regulatory disclosures.

*For additional discussion of risks associated with cybersecurity, see "Risk Factors – Breaches of our information systems and cyberattacks could compromise our intellectual property and cause significant damage to our business and reputation."*

---

**ITEM 2. PROPERTIES**

---

Our global headquarters and certain administrative, engineering and manufacturing facilities are located on an 82-acre campus in Cummings Research Park in Huntsville, Alabama. The office buildings in Huntsville, Alabama serve both our Network Solutions and our Services & Support segments. We are currently in the process of selling a portion of our headquarters facility and expect to sell it within the next twelve months, so it is classified as assets held for sale on our balance sheet. In order to facilitate this, we have relocated the associated operations located in our North and South Towers to our East Tower without any significant disruption to our operations. We lease a facility for our European headquarters in Munich, Germany. We lease engineering facilities in the U.S., EMEA and APAC that are used to develop products sold by our Network Solutions segment. In addition, we lease office space in North America, Latin America, EMEA and APAC, which provide sales and service support for both of our segments. These cancelable and non-cancelable leases expire at various times through 2039. For more information, *see Note 7 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.*

We also have numerous sales and support staff operating from home-based offices serving both our Network Solutions and our Services & Support segments, which are located within the U.S. and abroad.

---

**ITEM 3. LEGAL PROCEEDINGS**

---

The information presented under the caption "DPLTA Appraisal Proceedings" in Note 18 "Commitments and Contingencies" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report is incorporated herein by reference.

---

**ITEM 4. MINE SAFETY DISCLOSURES**

---

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

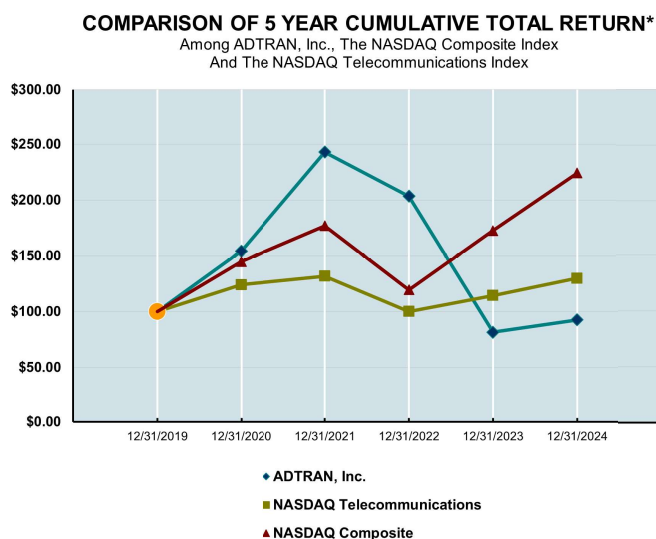
Our common stock is traded on the NASDAQ Global Select Market under the symbol "ADTN" and the Frankfurt Stock Exchange under the symbol "QH9". As of January 24, 2025, we had 47 stockholders of record and approximately 15,860 beneficial owners of shares held in street name.

#### Dividends

We declared a quarterly dividend of \$0.09 per share of common stock to record holders during each of the quarters through September 30, 2023. On November 6, 2023, the Board of Directors suspended the Company's quarterly cash dividend in order to reduce debt and interest expense and support the Company's Business Efficiency Program. The payment of any future dividends will be at the discretion of the Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements, and any other factors deemed relevant by the Board of Directors. In addition, the Wells Fargo Credit Agreement currently does not allow for the payment of dividends to stockholders. *For additional information, see Note 18 of the Notes to Consolidated Financial Statements included in Part II, Item 8 and Liquidity & Capital Resources included in Part II, Item 7 of this report.*

#### Performance Graph

The graph below matches our cumulative 5-Year total stockholder return on common stock (specifically, the total stockholder return on ADTRAN, Inc.'s common stock for all periods prior to the Merger and that of ADTRAN Holdings, Inc. following the Merger) with the cumulative total returns of the NASDAQ Telecommunications index and the NASDAQ Composite index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from December 31, 2019 to December 31, 2024. In accordance with the rules of the SEC, this section, captioned "Performance Graph," is not incorporated by reference into any of our future filings made under the Exchange Act or the Securities Act of 1933, as amended (the "Securities Act"). The Performance Graph, including its accompanying table and footnotes, is not deemed to be soliciting material or to be filed under the Exchange Act or the Securities Act.



\* \$100 invested on 12/31/19 in stock or index-including reinvestment of dividends. Fiscal year ending December 31, 2024.

	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24
ADTRAN Holdings, Inc.	\$ 100.00	\$ 154.37	\$ 243.02	\$ 203.51	\$ 81.62	\$ 92.62
NASDAQ Composite	\$ 100.00	\$ 144.93	\$ 177.06	\$ 119.45	\$ 172.78	\$ 224.34
NASDAQ Telecommunications	\$ 100.00	\$ 124.19	\$ 131.83	\$ 100.08	\$ 114.43	\$ 129.93

*The stock price performance included in this graph is not necessarily indicative of future stock price performance. The Company's cumulative total returns for the period December 31, 2019 through December 31, 2021 relate to Adtran, Inc. prior to the Business*

Combination and the Company's cumulative total returns for the period December 31, 2022 through December 31, 2024 relate to Adtran Holdings, Inc. subsequent to the Business Combination.

### Purchases of Equity Securities

The following table sets forth repurchases of our common stock for the months indicated.

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup></u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
October 1, 2024 – October 31, 2024	5,477	\$ 6.02	—	—
November 1, 2024 – November 30, 2024	62,046	\$ 7.75	—	—
December 1, 2024 – December 31, 2024	86	\$ 8.54	—	—
<b>Total</b>	<b><u>67,609</u></b>		<b><u>—</u></b>	

- <sup>(1)</sup> During the year ended December 31, 2024, the Company did not repurchase any shares of Company common stock as part of a publicly announced plan or program and there is no current authorization to repurchase Company common stock. The shares purchased relate to shares withheld to cover taxes for vested stock awards.

## **ITEM 6. RESERVED**

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes included in Part II, Item 8 of this Amendment No. 1. As previously discussed under the heading "Explanatory Note", we have restated our previously issued consolidated financial statements and related notes for Fiscal 2024 and Fiscal 2023, and we will restate our previously issued condensed consolidated financial statements and related notes for the 2024 Interim Periods. The following discussion reflects our restatement of Fiscal 2024 and Fiscal 2023. The Company will restate its previously reported 2024 quarterly Condensed Consolidated Financial Statements in its future filings with the SEC. Refer to Note 1, Summary Of Significant Accounting Policies, of the Notes to Consolidated Financial Statements, and Note 22 "Restatement of Quarterly Financial Information (Unaudited)" in the Notes to Consolidated Financial Statements in this Amendment No. 1 for additional information with respect to the restatement. In addition, we have omitted discussion of the earliest of the three years of financial condition and results of operations. To review our financial condition and results of operations for 2022 and a comparison between our 2022 and 2023 results (which comparison was not materially affected by the restatement of Fiscal 2023), see Part I, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the SEC on March 15, 2024 which is available free of charge on the SEC's website at <http://www.sec.gov> and on our website at [www.adtran.com](http://www.adtran.com).*

*This discussion is designed to provide the reader with information that will assist in understanding our consolidated financial statements, the changes in certain key items in those financial statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our consolidated financial statements. See "Cautionary Note Regarding Forward-Looking Statements" on page 2 of this Amendment No. 1 for a description of important factors that could cause actual results to differ from expected results. See also Part I, Item 1A, Risk Factors, of this Amendment No. 1.*

*Unless the context otherwise indicates or requires, references in this Amendment No. 1 to "Adtran", the "Company," "we", "us" and "our" refer to ADTRAN Holdings, Inc. and its consolidated subsidiaries for periods subsequent to the Merger and to ADTRAN, Inc. and its consolidated subsidiaries for periods prior to the Merger. The prior period results do not include the results of Adtran Networks prior to the Business Combination which occurred on July 15, 2022. Furthermore, unless the context otherwise indicates or requires, references in this Amendment No. 1 to "Adtran Networks" refer to Adtran Networks SE (formerly ADVA Optical Networking SE).*

### **Overview**

The Company is a leading global provider of networking and communications platforms, software, systems and services focused on carrier networks, data center interconnect for private enterprise networks and mission critical infrastructure. It is serving a diverse domestic and international customer base in multiple countries that includes Large, Medium and Small Service Providers, alternative Service Providers, such as utilities, municipalities and fiber overbuilders; cable/MSOs; SMBs; distributed enterprises, including Fortune 500 companies with sophisticated business continuity applications; and federal, state and local government agencies.

Our innovative solutions and services enable voice, data, video and internet-communications across a variety of network infrastructures and are currently in use by millions worldwide. We support our customers through our direct global sales organization and our distribution networks. Our success depends upon our ability to have customers adopt our technology, increase unit volume and market share through the introduction of new products and succeeding generations of products having optimal selling prices and increased functionality as compared to both the prior generation of a product and the products of competitors in order to gain market share. To service our customers and grow revenue, we are continually conducting research and developing new products addressing customer needs and testing those products for the specific requirements of the particular customers. We offer a broad portfolio of flexible software and hardware network solutions and services that enable Service Providers to meet today's service demands while enabling them to transition to the fully converged, scalable, highly-automated, cloud-controlled voice, data, internet and video network of the future. In addition to our global headquarters in Huntsville, Alabama, and our European headquarters in Munich, Germany, we have sales and research and development facilities in strategic global locations.

The Company solely owns ADTRAN, Inc. and is the majority shareholder of Adtran Networks (formerly ADVA Optical Networking SE). Adtran is a leading global provider of open, disaggregated networking and communications solutions. Adtran Networks is a global provider of network solutions for data, storage, voice and video services. We believe that the combined technology portfolio can best address current and future customer needs for high-speed connectivity from the network core to the end consumer, especially upon the convergence of solutions at the network edge.

The chief operating decision maker regularly reviews the Company's financial performance based on two reportable segments: (1) Network Solutions and (2) Services & Support. In addition to operating under two reportable segments, the Company also reports revenue across three categories – Subscriber Solutions, Access & Aggregation Solutions and Optical Networking Solutions.

Our Subscriber Solutions portfolio is used by Service Providers to terminate their access services infrastructure at customers' premises while providing an immersive and interactive experience for residential, business and wholesale subscribers. This revenue category includes hardware- and software-based products and services. These solutions include our Mosaic One SaaS applications, fiber termination solutions for residential, business and wholesale subscribers, Wi-Fi access solutions for residential and business subscribers, Ethernet switching and network edge virtualization solutions for business subscribers and cloud software solutions covering a mix of subscriber types.

Our Access & Aggregation Solutions are solutions that are used by communications Service Providers to connect residential subscribers, business subscribers and mobile radio networks to the Service Providers' metro network, primarily through fiber-based connectivity. This revenue category includes hardware- and software-based products and services. Our solutions within this category are a mix of fiber access and aggregation platforms, precision network synchronization and timing solutions and access orchestration solutions that ensure highly reliable and efficient network performance.

Our Optical Networking Solutions are used by communications Service Providers, internet content providers and large-scale enterprises to securely interconnect metro and regional networks over fiber. This revenue category includes hardware- and software-based products and services. Our solutions within this category include open optical terminals, open line systems, optical subsystems and modules, network infrastructure assurance systems and automation platforms that are used to build high-scale, secure and assured optical networks.

### **Adtran Networks Domination and Profit and Loss Transfer Agreement**

The DPLTA between the Company, as the controlling company, and Adtran Networks, as the controlled company, which was executed on December 1, 2022, became effective on January 16, 2023, as a result of its registration with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) at the registered seat of Adtran Networks (Jena).

Under the DPLTA, subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, (i) the Company is entitled to issue binding instructions to the management board of Adtran Networks, (ii) Adtran Networks will transfer its annual profit to the Company, subject to, among other things, the creation or dissolution of certain reserves, and (iii) the Company will generally absorb the annual net loss incurred by Adtran Networks. The Company's payment obligation in satisfaction of the requirement that it absorb Adtran Networks' annual net loss applied for the first time to the net loss generated in 2023.

Additionally, and subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, the DPLTA provides that Adtran Networks shareholders (other than us) be offered, at their election, (i) to put their Adtran Networks shares to the Company in exchange for compensation in cash of €17.21 per share plus guaranteed interest (the "Exit Compensation"), or (ii) to remain Adtran Networks shareholders and receive a recurring compensation in cash of €0.52 per share for each full fiscal year of Adtran Networks (the "Annual Recurring Compensation"). The guaranteed interest component under the Exit Compensation is calculated from the effective date of the DPLTA to the date the shares are tendered, less any Annual Recurring Compensation paid. The guaranteed interest rate is 5.0% plus a variable component that was 3.37% as of December 31, 2024. The Annual Recurring Compensation is due on the third banking day following the ordinary general shareholders' meeting of Adtran Networks for the respective preceding fiscal year (but in any event within eight months following expiration of the fiscal year). With respect to the 2023 fiscal year, Adtran Networks' ordinary general shareholders' meeting occurred on June 28, 2024, and therefore, the Annual Recurring Compensation was paid on July 3, 2024. With respect to the 2024 fiscal year, Adtran Networks' ordinary general shareholder meeting is scheduled for June 27, 2025, and therefore, the Annual Recurring Compensation will be due on July 2, 2025. The adequacy of both forms of compensation has been challenged by minority shareholders of Adtran Networks via court-led appraisal proceedings under German law, and it is possible that the courts in such appraisal proceedings may adjudicate a higher Exit Compensation (including interest thereon) or Annual Recurring Compensation than agreed upon in the DPLTA.

The opportunity for outside Adtran Networks shareholders to tender Adtran Networks shares in exchange for Exit Compensation had been scheduled to expire on March 16, 2023. However, due to the appraisal proceedings that were initiated in 2023 in accordance with applicable German law, this time period for tendering shares has been extended pursuant to the German Stock Corporation Act (*Aktiengesetz*) and will end two months after the date on which a final decision in such appraisal proceedings has been published in the Federal Gazette (*Bundesanzeiger*). The Company expects to receive a ruling on a procedural matter in the DPLTA appraisal proceedings during the latter half of 2025 or 2026, which ruling, depending on outcome, will likely be appealed and may take 6-12 months to be decided on appeal. The Company does not expect that a trial on the merits of the DPLTA appraisal proceedings will commence until the procedural matter has been resolved. The proceeding for the trial on the merits of the DPLTA will likely take a minimum of 12 months for a ruling and such ruling will likely be appealed, which would be expected to take an additional 12-24 months to be resolved. Accordingly, the Company does not expect a final decision on the DPLTA appraisal proceedings to be rendered and published prior to 2027, and most likely not until 2028 or beyond. For the year ended December 31, 2024, approximately 831 thousand shares of Adtran Networks stock were tendered to the Company. This resulted in total Exit Compensation payments of approximately €15.7 million, or approximately \$17.4 million, based on exchange rates at the time of the transactions, being paid to Adtran Networks shareholders. For the year ended December 31, 2023, 67 thousand shares of Adtran Networks stock were tendered to the Company and Exit Compensation payments of approximately €1.2 million or approximately \$1.3 million based on an exchange rate as of December 31, 2023, were paid to Adtran Networks' shareholders.

In addition to our cash and cash equivalents and the credit facility, we may fund a portion or all of the Exit Compensation through the sale of securities or additional alternative funding sources, if available. There can be no assurances that we would be successful in effecting these actions on commercially reasonable terms or at all. If we cannot raise additional funds as needed, it could have a material adverse impact on our financial results and financial condition.

We currently hold 34,856,232 no-par value bearer shares of Adtran Networks, representing 67.0% of Adtran Networks outstanding shares as of December 31, 2024.

The foregoing description of the DPLTA does not purport to be complete and is qualified in its entirety by reference to the DPLTA, a non-binding English translation of which is incorporated by reference to Exhibit 10.11 of this Annual Report on Form 10-K/A.

### **Business Efficiency Program**

During the fourth quarter of 2023, the Company initiated a Business Efficiency Program designed to optimize the assets, business processes, and information technology systems of the Company in relation to the Business Combination with Adtran Networks. The Business Efficiency Program included expenses specifically associated with achieving run-rate synergies as well as Business Efficiency Program expenses described below. Other than the Company's aim of selling its headquarters, the Business Efficiency Program was substantially complete as of December 31, 2024. *See Note 20 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report for additional information.*

During the years ended December 31, 2024 and 2023, we recognized \$44.7 million and \$25.1 million of costs relating to the Business Efficiency Program, respectively. Future cash payments include severance costs, outplacement fees and site consolidation that are anticipated to be approximately \$10.3 million.

### **Business Combination Integration Costs**

During the years ended December 31, 2024 and 2023, we recognized \$1.9 million and \$4.9 million, respectively, of integration costs related to the Business Combination were incurred. These transaction costs are included in selling, general and administrative expenses, research & development expenses and cost of revenue in the Consolidated Statement of Loss. The Company does not anticipate additional material expenses to be incurred in connection with this integration program.

### **Financial Performance and Trends**

We ended 2024 with a year-over-year revenue decrease of 19.7%, driven by decreased volume of sales activity due to customers' focus on reducing inventory levels and continuing uncertain macroeconomic conditions related to elevated inflation, elevated interest rates and currency fluctuation which impacted the spending behavior of our customers. During 2024, we had one customer with revenues greater than 10.0% which was an international Service Provider customer and our next five largest customers comprised 21.7% of our revenue. Our year-over-year domestic revenue decreased by 13.6% and continued to be impacted by elevated customer inventory levels, continuing effects of uncertain macroeconomic conditions and decreased shipments to distributor customers. Internationally, our year-over-year revenue decreased by 23.8%, primarily driven by decreased shipments to network operators in Europe and the unfavorable impact of foreign exchange on revenue as a result of the strengthened U.S. dollar.

Access & Aggregation and Optical Networking revenue categories experienced a general slowdown in revenue as a result of reduced spending by our Service Provider customers as they continue to reduce excess inventory levels and monitor the uncertain macroeconomic conditions. Despite these challenges, we have maintained our emphasis on product development to enable us to respond to rapidly changing technology and evolving industry standards. For example, we expect public funding through projects such as IPCEI ME/CT to further our research and development for new communication technologies. Additionally, public funding through the Broadband Equity, Access and Deployment Program is expected to commence in 2025, which provides a positive outlook for the future. Nevertheless, these government-supported loan programs and grants generally include conditions such as deployment criteria, domestic preference provisions and other requirements that apply to the project and selected equipment as conditions for funding, which we expect will influence the extent to which such programs will have an impact on our revenue. In Europe, we continue to see increased activity from high-risk vendor replacement and broadband subsidy programs.

While our 2023 and 2024 revenues have fluctuated and may continue to fluctuate on a quarterly basis, during the fourth quarter of 2024, our operating results have improved due to slowly stabilizing revenues, improving margins and tight operational cost controls. Nevertheless, a significant percentage of orders require delivery within a few days, requiring us to maintain higher inventory levels. These factors may result in limited order flow visibility. We have taken decisive steps to transform our business into a leaner, more efficient and more profitable company, including the substantial completion of our Business Efficiency Program (other than the Company's aim of selling its headquarters), which included a significant cost efficiency program targeting a reduction of ongoing operating expenses and a capital efficiency program inclusive of certain salary reductions, an early retirement program, a site consolidation plan to include lease impairments and the partial sale of owned real estate (including the potential sale of portions of our headquarters), inventory write downs from product discontinuances, and the suspension of the quarterly dividend. Our operating expenses are relatively fixed in the short term, therefore, a shortfall in quarterly revenues has and may again in the future significantly impact our financial results in a given quarter.

Our operating results have significantly fluctuated and may do so in the future as a result of a number of other factors, including a decline in general economic and market conditions, foreign currency exchange rate movements, inflation, increased competition, customer order patterns, changes in product and services mix, trade policies, timing differences between price decreases and product cost reductions,



product warranty returns, expediting costs, tariffs and announcements of new products by us or our competitors. In recent years, inflationary pressures on input costs, such as raw materials and labor, and distribution costs had a negative impact on our operating results. However, inflationary pressures on our supply chain have eased somewhat, which has led to reductions in cost premiums on raw material costs and freight. We continue to support our customer demand for our products by working with our suppliers, contract manufacturers, distributors, and customers to address and to limit the disruption to our operations and order fulfillment. Additionally, maintaining sufficient inventory levels to assure prompt delivery of our products increases the amount of inventory that may become obsolete and increases the risk that the obsolescence of this inventory may have an additional adverse effect on our business and operating results beyond the effects of the most recent inventory write-downs. Also, not maintaining sufficient inventory levels to ensure prompt delivery of our products may cause us to incur expediting costs to meet customer delivery requirements, which may negatively impact our operating results.

The U.S. government issued orders in February 2025 increasing tariffs on imports from certain countries, including Canada, China and Mexico, and it has discussed further tariffs, including plans to increase U.S. tariffs to match the rates that other countries charge on imports and tariffs on semiconductors, automobiles and pharmaceuticals imported into the U.S. While the implementation of tariffs on Canadian and Mexican imports was initially deferred, such tariffs are expected to go into effect in March 2025 and the U.S. has increased tariffs on goods imported into the U.S. from China by 10%. In response, China imposed a 15% tariff on U.S. coal and liquified natural gas products, along with a 10% tariff on crude oil. The U.S. government has indicated that an additional 10% duty on Chinese imports may be forthcoming, which may result in further tariffs on U.S. products being imported into China. The recent tariffs come on top of ongoing trade tensions and regulatory actions involving the governments of the U.S. and China. Moreover, on February 11, 2025, the U.S. government ordered tariffs of 25% on imports of steel and aluminum regardless of where they originate.

We are exposed to changes in foreign currencies relative to the U.S. dollar, which are references to the differences between the foreign-exchange rates we use to convert the financial results of our international operations from local currencies into U.S. dollars for financial reporting purposes. This impact of foreign-exchange rate changes is calculated based on the difference between the current period's currency exchange rates and that of the comparable prior period. Our primary exposures to foreign currency exchange rate movements are with the euro and the British pound. As a result of our global operations, our revenue, gross margins, operating expense and operating loss in some international markets have been and may continue to be affected by foreign currency fluctuations.

The Company's policy is to assess the realizability of assets (long-lived assets, intangibles and goodwill) held within our reporting units and to evaluate such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. During the third quarter of 2023, the Company identified a triggering event due to a decrease in its market capitalization and changes in projections (decrease in estimated cash flows). While the quantitative impairment analysis indicated that there was no impairment of Network Solutions goodwill, the Company determined a \$37.9 million non-cash impairment charge for goodwill was warranted for the Services & Support reporting unit. During the fourth quarter of 2023, the Company completed its annual impairment test. There were no significant market changes or changes to cash flow projections, as such no triggering event was identified during the fourth quarter of 2023.

During the first quarter of 2024, qualitative factors such as a decrease in the Company's market capitalization, lower service provider spending and delayed holding patterns of inventory with respect to customers caused us to reduce our forecasts, triggering a quantitative impairment assessment for our reporting units. The Company determined the fair value of the Network Solutions reporting unit using a combination of an income approach and a market approach. The Company determined upon its quantitative impairment assessment to recognize a \$297.4 million non-cash goodwill impairment charge for the Network Solutions reporting unit during the three months ended March 31, 2024. The quantitative impairment analysis indicated there was no impairment of the Services & Support goodwill during the three months ended March 31, 2024. There have been no triggering events identified affecting the valuation of goodwill in our Services & Support reporting unit during the remainder of 2024.

Our historical financial performance is not necessarily a meaningful indicator of future results, and in general, management expects that our financial results may vary from period to period. *For a discussion of risks associated with our operating results, see Part I, Item 1A, Risk Factors of this report.*

## Results of Operations

The following table presents selected financial information derived from our Consolidated Statements of Loss expressed as a percentage of revenue for the years indicated. Amounts may not foot due to rounding.

	<i>Year Ended December 31,</i>		
	<i>2024</i>	<i>2023</i>	<i>2022</i>
	<i>(Restated)</i>	<i>(Restated)</i>	
<b>Revenue</b>			
Network Solutions	80.1%	84.8%	89.4%
Services & Support	19.9	15.2	10.6
<b>Total Revenue</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Cost of Revenue</b>			
Network Solutions	56.1	63.1	63.1
Network Solutions - other (credits), charges and inventory write-down	0.9	2.1	—
Services & Support	7.9	6.0	5.0
<b>Total Cost of Revenue</b>	<b>64.9</b>	<b>71.2</b>	<b>68.1</b>
<b>Gross Profit</b>	<b>35.1</b>	<b>28.8</b>	<b>31.9</b>
Selling, general and administrative expenses	25.2	22.5	20.4
Research and development expenses	24.0	22.5	16.9
Asset impairment	—	—	1.7
Goodwill impairments	32.2	3.3	—
<b>Operating Loss</b>	<b>(46.3)</b>	<b>(19.5)</b>	<b>(7.1)</b>
Interest and dividend income	0.3	0.2	0.2
Interest expense	(2.4)	(1.4)	(0.3)
Net investment gain (loss)	0.4	0.2	(1.1)
Other income, net	—	0.1	1.4
<b>Loss Before Income Taxes</b>	<b>(48.0)</b>	<b>(20.3)</b>	<b>(6.9)</b>
Income tax (expense) benefit	(0.8)	(2.5)	6.1
<b>Net Loss</b>	<b>(48.8)%</b>	<b>(22.8)%</b>	<b>(0.9)%</b>
<b>Net Income (loss) attributable to non-controlling interest</b>	1.1	0.6	(0.7)
<b>Net Loss attributable to ADTRAN Holdings, Inc.</b>	<b>(49.8)%</b>	<b>(23.4)%</b>	<b>(0.2)%</b>

The following discussion and financial information are presented to aid in an understanding of our current consolidated financial position, changes in financial position, results of operations and cash flows and should be read in conjunction with the audited consolidated financial statements and notes thereto included herein. The emphasis of the discussion is a comparison of the years ended December 31, 2024 and December 31, 2023. For a discussion of a comparison of the years ended December 31, 2023 and December 31, 2022, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 15, 2024.

## Comparison of Years Ended December 31, 2024 and December 31, 2023

### Revenue

Our revenue decreased 19.7% from \$1,149.1 million for the year ended December 31, 2023 to \$922.7 million for the year ended December 31, 2024. The decrease in revenue for the year ended December 31, 2024 is primarily driven by a decrease in volume of sales activity due to customers' focus on reducing inventory levels and the completion of significant customer projects. The decrease in revenue by category for the year ended December 31, 2024 was primarily attributable to \$192.0 million decrease in Optical Networking Solutions products and a \$67.4 million decrease in Access & Aggregation Solutions partially offset by a \$33.1 million increase in Subscriber Solutions category. Continued customer concerns over inventory stocking levels have affected our revenue year-to-date in our Optical Networking Solutions category, Access & Aggregation category and our Subscriber Solutions category. This includes our two largest Optical Networking Solutions customers, which we believe are focused on reducing existing inventory.

Network Solutions segment revenue decreased 24.2% from \$974.4 million in 2023 to \$739.0 million in 2024, primarily attributable to \$196.6 million decrease in Optical Networking Solutions products and a \$71.1 million decrease in Access & Aggregation Solutions partially offset by a \$32.3 million increase in Subscriber Solutions category. More specifically, for the year ended December 31, 2024, the decrease in revenue for our Subscriber Solutions products was primarily due to lower volume of sales of our residential solutions products as a result of customers focus on reducing inventory levels.

Services & Support revenue increased 5.2% from \$174.7 million in 2023 to \$183.8 million in 2024. The increase in revenue for 2024 was primarily attributable to \$4.6 million increase in revenue for Optical Networking Solutions products, a \$3.7 million increase in revenue for Access & Aggregation Solutions revenue and a \$0.7 million increase in revenue for Subscriber Solutions services. More

specifically, the increase in revenue for the year ended December 31, 2024 of our ADTRAN, Inc. operations was primarily due to higher volume of sales of our software services and business solutions services.

Domestic revenue decreased 13.6% from \$461.0 million in 2023 to \$398.2 million in 2024, driven by lower volume of sales of our residential solutions products as a result of customers' focus on reducing inventory levels in our Subscriber Solutions segment, partially offset by an increase in volume of sales activity during the first half of 2024 from the Business Combination with Adtran Networks.

International revenue, which is defined as revenue generated from the Network Solutions and Services & Support segments provided to a customer outside of the U.S., decreased 23.8% from \$688.1 million for the year ended December 31, 2023 to \$524.6 million for the year ended December 31, 2024. International revenue, as a percentage of total revenue, decreased from 59.8% for the year ended December 31, 2023 to 56.8% for the year ended December 31, 2024. The decrease in international revenue in 2024 was primarily due to the conclusion of specific customer projects and customer concerns over inventory levels. For the year ended December 31, 2024 as compared to the year ended December 31, 2023, changes in foreign currencies relative to the U.S. dollar increased our net revenue by approximately \$5.4 million.

Our ADTRAN, Inc. international revenue is largely focused on broadband infrastructure and is consequently affected by the decisions of our customers as to timing for installation of new technologies, expansion of their networks and/or network upgrades. Our international customers must make these decisions in the regulatory and political environment in which they operate – both nationally and in some instances, regionally – whether of a multi-country region or a more local region within a country. Consequently, while we expect the global trend towards deployment of more robust broadband speeds and access to continue creating additional market opportunities for us, the factors described above may result in pressure on revenue and operating income. Our Adtran Networks international revenue is largely focused on the manufacture and selling of networking solutions that are based on three core areas of expertise: fiber-optic transmission technology (cloud interconnect), cloud access technology for rapid creation of innovative services around the network edge and solutions for precise timing and synchronization of networks. In addition, Adtran Networks' international operations offers a comprehensive portfolio of network design, implementation and maintenance services to assist operators in the deployment of market-leading networks while reducing their cost to maintain these networks.

### **Cost of Revenue**

As a percentage of revenue, cost of revenue decreased from 71.2% for the year ended December 31, 2023 to 64.9% for the year ended December 31, 2024. The decrease for the twelve months ended December 31, 2024 was attributable to (1) a 2.6% decrease in expense as a percentage of revenue related to decreased amortization of intangible backlog, developed technology and fair value adjustments to inventory costs that flow through to cost of revenue as a result of the Business Combination with Adtran Networks, (2) a 2.7% decrease in expense as a percentage of revenue related to decreased acquisition costs, (3) a 1.4% decrease in expense as a percentage of revenue in connection with our Business Efficiency Program (primarily a decrease in inventory write-offs related to our strategy shift which included discontinuance of certain product lines, partially offset by increases in severance and employee related costs), (4) a 0.4% decrease in expense as a percentage of revenue attributable to changes in customer and product mix. For the year ended December 31, 2024, changes in foreign currencies relative to the U.S. dollar increased our cost of revenue by approximately \$0.7 million.

Network Solutions cost of revenue, as a percentage of that segment's revenue, decreased from 76.9% of revenue in 2023 to 71.2% of revenue in 2024. The decrease in cost of revenue as a percentage of revenue for the twelve months ended December 31, 2024 was attributable to (1) a 3.3% decrease in expense as a percentage of revenue related to decreased amortization of intangible backlog, developed technology and fair value adjustments to inventory costs that flow through to cost of revenue as a result of the Business Combination with Adtran Networks, (2) a 3.4% decrease in expense as a percentage of revenue related to decreased acquisition costs, and (3) a 1.9% decrease in expense as a percentage of revenue in connection with our Business Efficiency Program, which resulted in an inventory write down and other charges of \$8.6 million incurred as a result of a strategy shift including discontinuance of certain product lines, partially offset by (4) a 2.9% increase in expense as a percentage of revenue attributable to changes in customer and product mix.

Services & Support cost of revenue, as a percentage of that segment's revenue, remained flat at 39.6% of revenue in 2023 and 2024.

Services & Support revenue is comprised of network planning and implementation, maintenance, support and cloud-based management services, with network planning and implementation being the largest and fastest growing component in the long-term. Compared to our other services, such as maintenance, support and cloud-based management services, our network planning and implementation services typically utilize a higher percentage of internal and subcontracted engineers, professionals and contractors to perform the work for customers. The additional costs incurred to perform these infrastructure and labor-intensive services inherently result in lower average gross margins as compared to maintenance and support services. Within the Services & Support segment, we do expect variability in gross margins from quarter-to-quarter based on the mix of the services recognized.

### **Gross Profit**

As a percentage of revenue, gross profit increased from 28.8% for the year ended December 31, 2023 to 35.1% for the year ended December 31, 2024. The increase for the twelve months ended December 31, 2024 was attributable to (1) a 2.6% increase in gross profit as a percentage of revenue related to decreased amortization of intangible backlog, developed technology and fair value adjustments to inventory costs that flow through to cost of revenue as a result of the Business Combination with Adtran Networks, (2) a 2.7% increase in gross profit as a percentage of revenue related to decreased acquisition costs, (3) a 1.4% increase in gross profit as a percentage of revenue in connection with decreased expenses with our Business Efficiency Program (primarily a decrease in inventory write-offs

related to our strategy shift which included discontinuance of certain product lines, partially offset by increases in severance and employee related costs), (4) a 0.4% increase in gross profit as a percentage of revenue attributable to changes in customer and product mix.

As a percentage of that segment's revenue, Network Solutions gross profit increased from 23.1% for the year ended December 31, 2023 to 28.8% for the year ended December 31, 2024. The increase for the twelve months ended December 31, 2024 was attributable to (1) a 3.3% increase in gross profit as a percentage of revenue related to decreased amortization of intangible backlog, developed technology and fair value adjustments to inventory costs that flow through to cost of revenue as a result of the Business Combination with Adtran Networks, (2) a 3.4% increase in gross profit as a percentage of revenue related to decreased acquisition costs, and (3) a 1.9% increase in gross profit as a percentage of revenue in connection with decreased expenses with our Business Efficiency Program, which resulted in an inventory write down and other charges of \$8.6 million incurred as a result of a strategy shift including discontinuance of certain product lines, (4) partially offset by a 2.9% decrease in gross profit as a percentage of revenue attributable to changes in customer and product mix.

As a percentage of that segment's revenue, Services & Support gross profit remained flat at 60.4% for the years ended December 31, 2023 and 2024.

### **Selling, General and Administrative Expenses**

As a percentage of revenue, selling, general and administrative expenses increased from 22.5% for the year ended December 31, 2023, to 25.2% for the year ended December 31, 2024. Selling, general and administrative expenses as a percentage of revenue will generally fluctuate whenever there is a significant fluctuation in revenue for the periods being compared. Other than our stated aim of selling our headquarters, we have substantially completed implementation of our Business Efficiency Program. We expect to continue to see lower selling, general and administrative expenses as a percentage of revenue over time.

Selling, general and administrative expenses decreased 9.9% from \$258.6 million for the year ended December 31, 2023, to \$232.9 million for the year ended December 31, 2024. Selling, general and administrative expenses include personnel costs for management, accounting, information technology, human resources, sales and marketing, as well as independent auditor, tax and other professional fees, contract services and legal and litigation related costs. The decrease in selling, general and administrative expenses for the twelve months ended December 31, 2024, compared to the twelve months ended December 31, 2023, was primarily attributable to the impact of the Company's Business Efficiency Program and integration programs. Specifically, the Company reduced its employee-related costs by \$20.4 million. For the year ended December 31, 2024, as compared to the year ended December 31, 2023, changes in foreign currencies relative to the U.S dollar increased our selling, general and administrative expenses by approximately \$0.6 million.

### **Research and Development Expenses**

As a percentage of revenue, research and development expenses increased from 22.5% for the year ended December 31, 2023, to 24.0% for the year ended December 31, 2024. Research and development expenses as a percentage of revenue will generally fluctuate whenever there are incremental product development activities or significant fluctuations in revenue for the periods being compared. Other than our stated aim of selling our headquarters, we have substantially completed implementation of our Business Efficiency Program. We expect to continue to see lower research and development expense as a percentage of revenue over time.

Research and development expenses decreased 14.3% from \$258.3 million for the year ended December 31, 2023, to \$221.5 million for the year ended December 31, 2024. The decrease in research and development expenses for the twelve months ended December 31, 2024, was primarily attributable to the impact of the Company's Business Efficiency Program and integration programs. Specifically, the Company reduced its employee-related costs by \$16.7 million and contract services by \$7.9 million. For the year ended December 31, 2024 as compared to the year ended December 31, 2023, changes in foreign currencies relative to the U.S. dollar increased our research and development expenses by approximately \$1.4 million.

Adtran Networks has arrangements with governmental entities for the purposes of obtaining funding for research and development activities. The Company classifies government grants received under these arrangements as a reduction to research and development expense incurred. For the years ended December 31, 2024 and 2023, the Company recognized \$9.7 million and \$5.2 million, respectively, as a reduction of research and development expense.

We expect to continue to incur research and development expenses in connection with our new and existing products. We continually evaluate new product opportunities and engage in significant research and product development efforts, which provides for new product development, enhancement of existing products and product cost reductions. We may incur significant research and development expenses prior to the receipt of revenue from a major new product group.

### **Asset Impairments**

In connection with the planned integration of information technology following the Business Combination, we determined that certain projects no longer fit our needs. As a result, the Company recognized impairment charges of \$17.4 million during the year ended December 31, 2022, primarily attributable to capitalized implementation costs for a cloud computing arrangement. There were no asset impairments recognized during the years ended December 31, 2024 and 2023. *See Note 9 of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

## **Goodwill Impairment**

During the first quarter of 2024, qualitative factors such as a decrease in the Company's market capitalization, cautious service provider spending due to economic uncertainty and continued customer focus on inventory adjustments, triggered a quantitative impairment assessment for our reporting units for goodwill and long-lived assets. The Company determined upon its quantitative impairment assessment to recognize a \$297.4 million non-cash goodwill impairment charge for the Network Solutions reporting unit.

During the third quarter of 2023, qualitative factors, such as a decrease in the Company's market capitalization and long-term projections, triggered a quantitative impairment assessment for our reporting units. The Company determined upon its quantitative impairment assessment to recognize a \$37.9 million non-cash goodwill impairment charge for the Services & Support reporting unit. There were no goodwill impairments recognized during the year ended December 31, 2022. *See Note 8 of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

## **Interest and Dividend Income**

Interest and dividend income increased by 30.7% from \$2.3 million for the year ended December 31, 2023 to \$3.1 million for the year ended December 31, 2024. The increase in interest and dividend income is primarily attributable to fluctuations in investment balances and an increase in the rate of return on those investments due to interest rate movements.

## **Interest Expense**

Interest expense increased from \$16.3 million for the year ended December 31, 2023 to \$22.1 million for the year ended December 31, 2024. The increase in interest expense was primarily driven by higher amortization of debt issuance costs, as well as higher interest rates associated with the amendments of the Credit Agreement and higher average borrowings outstanding versus the twelve months ending December 31, 2023. *See Note 11 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report and "Financing Activities" in "Liquidity and Capital Resources" below.*

## **Net Investment Gain (Loss)**

We recognized a net investment gain of \$2.8 million and a gain of \$3.6 million for the years ended December 31, 2023 and 2024, respectively. The fluctuations in our net investments were primarily attributable to market driven changes in the fair value of our securities recognized during the period. We expect that any future market volatility could result in continued fluctuations in our investment portfolio. *See "Investing Activities" in "Liquidity and Capital Resources" of this report and Note 1 and Note 4 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

## **Other Income, net**

Other income, net, which primarily consisted of gains and losses on foreign currency transactions and income from excess material sales, decreased from income of \$1.3 million for the year ended December 31, 2023 to income of \$0.2 million for the year ended December 31, 2024. *See Note 10 of Notes to Consolidated Financial Statements included in Part II, Item 8 of the report for additional information on foreign exchange contracts.*

## **Income Tax (Expense) Benefit**

Our effective tax rate changed from an expense of 12.1%, for the year ended December 31, 2023 to an expense of 1.7% for the year ended December 31, 2024. The change in the effective tax rate for the year ended December 31, 2024, was driven primarily by non-deductible impairment charges and changes in our valuation allowance. *See Note 12 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

## **Net Loss Attributable to ADTRAN Holdings, Inc.**

As a result of the above factors, our net loss attributable to ADTRAN Holdings, Inc. increased from \$268.9 million for the year ended December 31, 2023 to a net loss of \$459.9 million for the year ended December 31, 2024. As a percentage of revenue, net loss was 23.4% for the year ended December 31, 2023 and net loss was 49.8% for the year ended December 31, 2024.

## **Liquidity and Capital Resources**

### *Liquidity*

We have historically financed our ongoing business with existing cash, investments and cash flow from operations; however, we have increasingly relied upon our credit arrangements to manage our working capital needs. We had a positive cash flow from operating activities of \$103.6 million in the twelve months ended December 31, 2024. We have used, and expect to continue to use, existing cash, credit arrangements and cash generated from operations for working capital and other general corporate purposes, including product development activities to enhance our existing products and develop new products, expand our sales and marketing activities and fund capital expenditures.

As of December 31, 2024, our cash on hand was \$76.0 million of which \$52.6 million was held by our foreign subsidiaries. The Company had access to \$180.8 million on its Credit Facility for future borrowings; however, as of December 31, 2024, the Company was limited to additional borrowings of \$36.1 million based on debt covenant compliance metrics. Generally, we intend to permanently reinvest funds held outside the U.S., except to the extent that any of these funds can be repatriated without withholding tax. As of December 31, 2023, our cash on hand was \$87.2 million, of which \$73.0 million was held by our foreign subsidiaries.

Under the DPLTA, subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, (i) the Company is entitled to issue binding instructions to the management board of Adtran Networks, (ii) Adtran Networks will transfer its annual profit to the Company, subject to, among other things, the creation or dissolution of certain reserves, and (iii) the Company will generally absorb the annual net loss incurred by Adtran Networks. The Company's payment obligation in satisfaction of the requirement that it absorb Adtran Networks' annual net loss applied for the first time to the net loss generated in 2023.

Pursuant to the terms of the DPLTA, each Adtran Networks shareholder (other than the Company) has received an offer to elect either (1) to remain an Adtran Networks shareholder and receive from us an Annual Recurring Compensation payment, or (2) to receive Exit Compensation plus guaranteed interest. The guaranteed interest under the Exit Compensation is calculated from the effective date of the DPLTA to the date the shares are tendered, less any Annual Recurring Compensation paid. The guaranteed interest rate is 5.0% plus a variable component (according to the German Civil Code) that was 3.37% as of December 31, 2024. Assuming all the minority holders of currently outstanding Adtran Networks shares were to elect the second option, we would be obligated to make aggregate Exit Compensation payments, including guaranteed interest, of approximately €333.2 million or approximately \$344.9 million, based on an exchange rate as of December 31, 2024 and reflecting interest accrued through December 31, 2024 during the pendency of the appraisal proceedings discussed below. Shareholders electing the first option of Annual Recurring Compensation may later elect the second option. The opportunity for outside Adtran Networks shareholders to tender Adtran Networks shares in exchange for Exit Compensation had been scheduled to expire on March 16, 2023. However, due to the appraisal proceedings that were initiated in 2023 in accordance with applicable German law, this time period for tendering shares has been extended pursuant to the German Stock Corporation Act (*Aktiengesetz*) and will end two months after the date on which a final decision in such appraisal proceedings has been published in the Federal Gazette (*Bundesanzeiger*). The Company expects to receive a ruling on a procedural matter in the DPLTA appraisal proceedings during the latter half of 2025 or 2026, which ruling, depending on outcome, will likely be appealed and may take 6-12 months to be decided on appeal. The Company does not expect that a trial on the merits of the DPLTA appraisal proceedings will commence until the procedural matter has been resolved. The proceeding for the trial on the merits of the DPLTA will likely take a minimum of 12 months for a ruling and such ruling will likely be appealed, which would be expected to take an additional 12-24 months to be resolved. Accordingly, the Company does not expect a final decision on the DPLTA appraisal proceedings to be rendered and published prior to 2027, and most likely not until 2028 or beyond.

Additionally, our obligation to pay Annual Recurring Compensation under the DPLTA is a continuing payment obligation, which will amount to approximately €8.9 million or \$9.3 million (based on the current exchange rate) per year assuming none of the minority Adtran Networks shareholders were to elect Exit Compensation. The foregoing amounts do not reflect any potential increase in payment obligations that we may have depending on the outcome of ongoing appraisal proceedings in Germany. The Annual Recurring Compensation is due on the third banking day following the ordinary general shareholders' meeting of Adtran Networks for the respective preceding fiscal year (but in any event within eight months following expiration of the fiscal year). With respect to the 2023 fiscal year, Adtran Networks' ordinary general shareholders' meeting occurred on June 28, 2024; therefore, the Annual Recurring Compensation was paid on July 3, 2024. With respect to the 2024 fiscal year, Adtran Networks' ordinary general shareholder meeting is scheduled for June 27, 2025, and therefore, the Annual Recurring Compensation will be due on July 2, 2025. During the twelve months ended December 31, 2024 and 2023, we accrued \$9.8 million and \$10.1 million, respectively, in Annual Recurring Compensation which is reflected as an increase to retained deficit.

On July 18, 2022, ADTRAN, Inc., as the borrower, and ADTRAN Holdings, Inc. entered into a credit agreement with a syndicate of banks, including Wells Fargo Bank, National Association, as administrative agent ("Administrative Agent"), and the other lenders named therein (the "Credit Agreement"), which has since been amended four times. The Company had access to \$180.8 million on its Credit Facility for future borrowings; however, as of December 31, 2024, the Company was limited to additional borrowings of \$36.1 million based on debt covenant compliance metrics. The financial covenants under the Credit Agreement, as amended, require the Company to maintain a Consolidated Total Net Leverage Ratio of 5.00x, a Consolidated Senior Secured Net Leverage Ratio of 3.25x (or 4.0x to 3.5x during a Springing Covenant Period), and a Consolidated Fixed Charge Coverage Ratio of 1.25x.

As of December 31, 2024, and as of the date of issuance of these financial statements, the Company does not have sufficient liquidity to meet the substantial majority of its payment obligations under the DPLTA pertaining to Exit Compensation. For the year ended December 31, 2024, approximately 831 thousand shares of Adtran Networks stock were tendered to the Company. This resulted in total Exit Compensation payments of approximately €15.7 million, or approximately \$17.4 million, based on exchange rates at the time of the transactions, being paid to Adtran Networks shareholders. For the year ended December 31, 2023, a total of 67 thousand shares of Adtran Networks stock was tendered to the Company and Exit Compensation payments of approximately €1.2 million or approximately \$1.3 million based on an exchange rate as of December 31, 2023, were paid to Adtran Networks shareholders. We believe the probability that more than a small minority of Adtran Networks shareholders elect to receive Exit Compensation in the next twelve months is remote based on the following factors: (i) the shareholders can exercise their right to receive the Exit Compensation until two months after publication of the final decision in the appraisal proceedings and we do not expect the final decision to be published within the next 12 months; (ii) the diverse base of shareholders that must make this election on an individual shareholder basis; (iii) the fact that the Company expects to receive a procedural decision during 2025 or 2026 that will likely be appealed and, while the date of a decision by the court on the merits of the case is uncertain, it will likely take a minimum of 12 months for a ruling and, thereafter, an expected appeal process will take a further 12-24 months to resolve; (iv) the current guaranteed Annual Recurring Compensation payment; and (v) the current trading value of Adtran Networks shares.

The Company experienced revenue declines in 2024. However, customers have started to replenish their inventories to meet increasing demand and we expect orders and billings to steadily increase in 2025. The Company is implementing plans to preserve cash liquidity to maintain compliance with the Company's covenants in case of further we are impacted by customer inventory reduction initiatives and uncertain macroeconomic conditions. Additionally, the Company suspended dividend payments and effectuated a Business Efficiency Program. The Business Efficiency Program was substantially completed as of December 31, 2024, other than the Company's aim of selling its headquarters. The Company has determined that it is probable that the sale of our headquarters in Huntsville will occur within the next twelve months after December 31, 2024. We expect to use the proceeds of the sale to repay indebtedness. We may need to further reduce capital expenditure and/or take other steps to preserve working capital in order to ensure that we can meet our needs and obligations and maintain compliance with our debt covenants.

In summary, the Company believes that its cash and cash equivalents, investments, working capital management initiatives and availability to access cash under the Wells Fargo Credit Facility (described below), will be adequate to meet our business operating requirements, our capital expenditures and our expected obligations under the DPLTA, including anticipated levels of Exit Compensation and ability to continue to comply with our debt covenants under the Credit Facility for at least the next twelve months, from the issuance of these Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K/A. *See Note 11 of Notes to Consolidated Financial Statements included in Part I, Item 8 of this report for additional information regarding the terms of the Wells Fargo Credit Agreement as amended.*

#### *Wells Fargo Credit Facility*

On July 18, 2022, ADTRAN, Inc., as the borrower ("US Borrower"), and the Company entered into a credit agreement with a syndicate of banks, including Wells Fargo Bank, National Association, as administrative agent ("Administrative Agent"), and the other lenders named therein (as amended from time to time, the "Credit Agreement"). Initially, the Credit Agreement allowed for revolving credit borrowings of up to \$400.0 million in aggregate principal amount (\$100.0 million of which is, subject to the restrictive covenants described below, available to Adtran Networks as borrower pursuant to the Subline (as defined and further described below), as well as the \$50.0 million delayed draw term loan facility described below. As of December 31, 2024, the aggregate principal amount was reduced to \$374.0 million (\$74.0 million of which is available to Adtran Networks as borrower pursuant to the Subline) due to a \$26.0 million reduction on the Subline. The term of the delayed draw term loan facility expired on August 9, 2024.

On August 9, 2023, ("First Amendment Effective Date") the Company and ADTRAN, Inc. entered into a First Amendment to Credit Agreement ("First Amendment").

The First Amendment, among other things, increased the available funding from \$100.0 million to \$400.0 million. In addition, a new \$50.0 million delayed draw term loan facility ("DDTL") was introduced, which (subject to certain conditions) was available for borrowing in the event that at least sixty percent (60.0%) of the outstanding shares of Adtran Networks that were not owned by the Company and its subsidiaries as of the First Amendment Effective Date was tendered (such event, a "Springing Covenant Event"). The First Amendment provided that, upon the occurrence of a Springing Covenant Event, the Company will enter a "Springing Covenant Period", defined as the fiscal quarter in which a Springing Covenant Event occurs and the three (3) consecutive fiscal quarters thereafter. During the Springing Covenant Period, the Company's leverage ratios are increased. Although the ability to borrow under the DDTL expired on August 9, 2024, the Springing Covenant Event and Springing Covenant Period remain in effect.

The First Amendment further added additional financial flexibility by permitting, subject to certain requirements, the incurrence of convertible indebtedness by the Company in an aggregate principal amount of up to \$172.5 million. Any such convertible indebtedness must, among other things, be incurred in pro forma compliance with the financial covenants in the Credit Agreement, be unsecured, and otherwise rank junior to borrowings under the Credit Agreement, and have a stated maturity date of at least 91 days after the latest scheduled maturity date of loans and commitments under the Credit Agreement. Net cash proceeds from any incurrence of convertible indebtedness must be used to repurchase minority shares of Adtran Networks or repay revolver borrowings under the Credit Agreement.

On January 16, 2024 ("Second Amendment Effective Date"), the Company and ADTRAN, Inc. entered into a Second Amendment to Credit Agreement and First Amendment to Collateral Agreement ("Second Amendment"). The Second Amendment, among other things,

introduced the Covenant Relief Period, which provided the Company with additional covenant headroom while imposing a minimum liquidity financial covenant from the end of the fourth quarter of 2023 to the end of the third quarter of 2024. The Covenant Relief Period ended on November 7, 2024.

On March 12, 2024, the Company and ADTRAN, Inc. entered into a Third Amendment to Credit Agreement ("Third Amendment"). The Third Amendment, among other things, amended the definition of "Consolidated Funded Indebtedness" (which is used in the calculation of the Consolidated Total Net Leverage Ratio and the Consolidated Senior Secured Net Leverage Ratio) to exclude obligations of the Company and its subsidiaries under certain factoring arrangements when calculated for the fiscal quarters ending March 31, 2024, and June 30, 2024.

On June 4, 2024, the Company, ADTRAN, Inc., and Adtran Networks entered into a Fourth Amendment to Credit Agreement ("Fourth Amendment"). The Fourth Amendment, among other things, created a new sublimit under the existing \$400.0 million revolving commitments, in an aggregate amount of \$100.0 million ("Subline"), which Subline is available for borrowings by Adtran Networks. Prepayments of outstanding loans under the Subline that result in the remaining outstanding loans under the Subline being less than the German Commitment Reduction Threshold will result in a permanent partial reduction of the commitments in respect of the Subline. The German Commitment Reduction Threshold is initially \$75.0 million and may be lowered from time to time pursuant to the terms of the Fourth Amendment. The existing swing line sublimit and letter of credit sublimit under the Credit Agreement remained available to the US Borrower (and not to Adtran Networks) after giving effect to the Fourth Amendment. Otherwise, the loans under the Subline are subject to substantially the same terms and conditions under the Credit Agreement (including with respect to the interest rate and maturity date) as the other existing revolving commitments.

As of December 31, 2024, Adtran's borrowings under the revolving line of credit were \$189.6 million, of which approximately \$141.0 million were borrowed by ADTRAN, Inc. and \$48.6 million were borrowed under the Subline by Adtran Networks. The credit facilities provided under the Credit Agreement mature in July 2027, but the US Borrower may request extensions subject to customary conditions. In addition, the US Borrower may utilize up to \$50.0 million of the \$374.0 million total revolving facility for the issuance of letters of credit. As of December 31, 2024, we had a total of \$3.6 million in letters of credit under ADTRAN, Inc. outstanding under the Credit Agreement, leaving a net amount (after giving effect to the \$189.6 million of outstanding borrowings described above) of \$180.8 million available for future borrowings; however, as of December 31, 2024, the Company was limited to additional borrowings of \$36.1 million based on debt covenant compliance metrics. Any future credit extensions under the Credit Agreement are subject to customary conditions precedent. The proceeds of any loans are expected to be used for general corporate purposes and to pay a portion of the Exchange Offer consideration. As of December 31, 2024, the Company was in compliance with all covenants.

#### *Revolving Line of Credit Interest Rate*

All U.S. dollar borrowings under the revolving line of credit other than swingline loans, which bear interest at the Base Rate (as defined below plus the applicable margin), at the Company's option, at a rate per annum equal to either (a) the Base Rate plus an applicable margin ranging from 0.65% to 1.65% per annum based on the Company's Consolidated Total Net Leverage Ratio (or, during the Applicable Margin Increase Period (as defined below), an applicable margin of 2.15% per annum), or (b) Adjusted Term SOFR (as defined below) plus an applicable margin ranging from 1.65% to 2.65% per annum based on the Company's Consolidated Total Net Leverage Ratio (or, during the Applicable Margin Increase Period, an applicable margin of 3.15% per annum).

"Base Rate" means the highest of (a) the federal funds rate (i.e., for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the business day next succeeding such day) plus ½ of 1.0%, (b) the prime commercial lending rate of the Administrative Agent, as established from time to time at its principal U.S. office (which such rate is an index or base rate and will not necessarily be its lowest or best rate charged to its customers or other banks), and (c) the daily Adjusted Term SOFR (as defined in the Credit Agreement) for a one-month tenor plus 1.0%. The Base Rate is subject to a floor of 1.00% per annum.

"Adjusted Term SOFR" means Term SOFR for the applicable interest period *plus* 0.10% per annum. Adjusted Term SOFR is subject to a floor of 0.00% per annum.

All euro borrowings under the revolving line of credit bear interest at a rate per annum equal to EURIBOR (as defined in the Credit Agreement and subject to a 0.00% per annum floor) plus an applicable margin ranging from 1.75% to 2.75% per annum based on the Company's Consolidated Total Net Leverage Ratio (or, during the Covenant Relief Period, an applicable margin of 3.25% per annum).

In addition, (x) if on or prior to December 31, 2024 we have not reduced the aggregate revolving credit commitment to \$340.0 million or less, the applicable margin for all loans shall be increased by 1.00% per annum, and (y) if on or prior to June 30, 2025 we have not reduced the aggregate revolving credit commitment to \$300.0 million or less, the applicable margin for all loans shall be increased by 1.00% per annum.

In addition to paying interest on outstanding principal under the Credit Agreement, the Company is required to pay a quarterly commitment fee to the lenders under the Credit Agreement in respect of unutilized revolving loan commitments on the average daily unused portion of the revolving credit commitment of each lender, which commitment fee ranges from 0.20% to 0.25% per annum based on the Company's Consolidated Total Net Leverage Ratio (or, during the Applicable Margin Increase Period, is equal to 0.25% per annum). The Company is also required to pay a participation fee to the Administrative Agent for the account of each lender with respect to the Company's participation in letters of credit at the then applicable rate for Adjusted Term SOFR Loans or EURIBOR Loans, and other customary fronting, issuance and administration fees with respect to letters of credit.



The “Applicable Margin Interest Period” means the period commencing on the Second Amendment Effective Date and ending on the first date when each of the following conditions have been met: (a) the Covenant Relief Period has ended (b) since the Second Amendment Effective Date, the borrowers have repaid the revolving credit outstanding borrowings by a principal amount of at least \$75.0 million (c) the borrowers have reduced the aggregate revolving credit commitment to an amount no greater than \$300.0 million, and (d) the borrowers are in compliance with all financial covenants based on the financial statements for the most recently completed reference period.

Default interest is 2.0% per annum in excess of the rate otherwise applicable.

#### *Covenants Under the Credit Agreement*

The financial covenants under the Credit Agreement, as amended, include the following (capitalized terms used in this subsection and not otherwise defined herein have the meanings assigned to them in the Credit Agreement or its amendments, as applicable):

- As of the last day of any fiscal quarter, commencing with the fiscal quarter ended December 31, 2023, the Consolidated Total Net Leverage Ratio may not exceed 5.00x.
- As of the last day of any fiscal quarter, commencing with the fiscal quarter ended December 31, 2023, the Consolidated Senior Secured Net Leverage Ratio may not exceed:
  - In the fiscal quarter in which a Springing Covenant Event occurs and the three consecutive quarterly test periods thereafter, (“Springing Covenant Period”), the following covenant levels:
    - First fiscal quarter ending after a Springing Covenant Event: 4.00x
    - Second fiscal quarter ending after a Springing Covenant Event: 3.75x
    - Third and fourth fiscal quarters ending after a Springing Covenant Event: 3.50x
- If the Company or any of its subsidiaries incurs certain unsecured indebtedness in excess of \$50.0 million in connection with a transaction that is a Springing Covenant Event or during a Springing Covenant Period, the Consolidated Senior Secured Net Leverage Ratio covenant will step down to 3.50x at the time of such incurrence.
- If a Springing Covenant Period is not in effect, the Consolidated Senior Secured Net Leverage Ratio may not exceed 3.25x.
- As of the last day of any fiscal quarter, commencing with the fiscal quarter ended December 31, 2023, the Consolidated Fixed Charge Coverage Ratio may not exceed 1.25x.
- During a Springing Covenant Period, as of the last day of any fiscal quarter (i) cash and cash equivalents of the Credit Parties must be at least \$50.0 million and (ii) cash and cash equivalents of the Company and its subsidiaries must be at least \$70.0 million.

All obligations under the Credit Agreement (including under the Subline) are guaranteed by ADTRAN, Inc., and certain subsidiaries of ADTRAN, Inc. (“Full Facility Guarantors”). To secure such guarantees, ADTRAN, Inc. and the Full Facility Guarantors have granted security interests in favor of the Administrative Agent over substantially all of their tangible and intangible assets, and ADTRAN, Inc. has granted mortgages in favor of the Administrative Agent over certain owned real estate assets. Certain of Adtran Networks' subsidiaries (“Subline Guarantors”) have provided a guarantee solely of the obligations in respect of the Subline. Furthermore, to secure such guarantees, the Subline Guarantors have granted security interests in favor of the Administrative Agent over substantially all of their tangible and intangible assets. Adtran Networks has also granted security interests in favor of the Administrative Agent over substantially all of its tangible and intangible assets, to secure solely its obligations under the Subline. Upon repayment in full and termination of the Subline, the guarantees by the Subline Guarantors and the liens granted by Adtran Networks and the Subline Guarantors to secure obligations under the Subline will be released.

The Credit Agreement, as amended, contains customary affirmative and negative covenants, including incurrence covenants and certain other limitations on the ability of the Company and the Company’s subsidiaries to incur additional debt, guarantee other obligations, grant liens on assets, make investments, dispose of assets, make restricted payments, engage in mergers or consolidations, engage in transactions with affiliates, modify its organizational documents, and enter into certain restrictive agreements. The negative covenants are subject to various exceptions and carveouts. It also contains customary events of default, such as misrepresentation and a default in the performance or observance of any covenant (subject to customary cure periods and materiality thresholds). Upon the occurrence and during the continuance of an event of default, the Administrative Agent is entitled to take various actions, including the acceleration of all amounts due under the Credit Agreement.

#### *Operating Activities*

Net cash provided by operating activities of \$103.6 million during the year ended December 31, 2024 increased by \$146.6 million compared to \$43.0 million of net cash used in during the year ended December 31, 2023. The increase was primarily due to the declining net loss for the twelve months ended December 31, 2024 and 2023, excluding the goodwill impairment charge of \$297.4 million, as adjusted primarily for decreased depreciation and amortization, decreased deferred taxes and increased net cash inflows from working capital. Additional details related to our working capital and its drivers are discussed below.

Net accounts receivable decreased 15.1% from \$209.7 million as of December 31, 2023 to \$178.0 million as of December 31, 2024. There was an allowance for credit losses of \$1.3 million and \$0.4 million as of December 31, 2024 and December 31, 2023, respectively. The decrease in net accounts receivable was due primarily to a reduction in DSO. Quarterly accounts receivable DSO decreased from 86 days as of December 31, 2023 to 67 days as of December 31, 2024. The decrease in DSO was primarily driven by customer and geographical mix of commercial terms.

Other receivables decreased 44.0% from \$17.5 million as of December 31, 2023 to \$9.8 million as of December 31, 2024. The decrease in other receivables was primarily attributable to a decrease in sales of raw materials.

Annual inventory turnover decreased from 2.08 turns as of December 31, 2023 to 1.92 turns as of December 31, 2024. Inventory decreased 27.4% from \$360.4 million as of December 31, 2023 to \$261.6 million as of December 31, 2024. The decrease in inventory was primarily due to steps taken in with our Business Efficiency Program to improve working capital, a reduction in component purchases due to improved lead time, utilization of buffer stock and a \$4.1 million write down of inventory due to a restructuring discontinuation of certain product lines within our Network Solutions segment. We expect inventory levels to fluctuate as we attempt to maintain sufficient inventory for customer demand and improve working capital.

Accounts payable increased 5.5% from \$162.9 million as of December 31, 2023 to \$171.8 million as of December 31, 2024. The increase in accounts payable was primarily due to the timing of the receipt of inventory, supplies and services. Accounts payable will fluctuate due to variations in the timing of the receipt of inventory, supplies and services and our subsequent payments for these purchases.

#### *Investing Activities*

Capital expenditures, including intangibles totaled approximately \$65.2 million and \$45.8 million for the years ended December 31, 2024 and 2023, respectively. These expenditures were primarily used to purchase software, computer hardware, manufacturing and test equipment, building improvements and developed technologies. The increase in capital expenditures is primarily attributable to an increase in expenditures related to developed technology.

Our long-term investments increased 15.6% from \$27.7 million as of December 31, 2023 to \$32.1 million as of December 31, 2024. Our investments include various marketable equity securities classified as long-term investments with a fair market value of \$1.1 million and \$0.9 million, as of December 31, 2024 and 2023, respectively. Long-term investments as of December 31, 2024 and 2023 also included \$31.0 million and \$26.8 million, respectively, related to our deferred compensation plan. *See Note 4 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

## Financing Activities

### Dividends

During 2023 we paid stockholder dividends totaling \$21.2 million. On November 6, 2023, the Board of Directors suspended the Company's quarterly cash dividend in order to reduce debt and interest expense and support the Company's capital efficiency program. We consequently did not pay any dividends during the twelve months ended December 31, 2024. The payment of any future dividends will be at the discretion of the Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements, and any other factors deemed relevant by the Board of Directors; however, the Wells Fargo Credit Agreement currently does not allow for the payment of dividends to stockholders. *For addition information, see Note 18 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report and Liquidity & Capital Resources above.* The following table shows dividends per common share paid to our stockholders in each quarter of 2024 and 2023:

Dividends per Common Share		
	2024	2023
First Quarter	\$ -	\$ 0.09
Second Quarter	\$ -	\$ 0.09
Third Quarter	\$ -	\$ 0.09
Fourth Quarter	\$ -	\$ -

### Stock Repurchase Program

The Company did not repurchase any stock during the years ended December 31, 2024 and 2023, and there currently is no authorized stock repurchase plan.

### Stock Option Exercises

To accommodate employee stock option exercises, the Company issued 0.1 million and 23 thousand shares of common stock which resulted in proceeds of \$0.8 million and \$0.2 million during the years ended December 31, 2024 and 2023, respectively. Additionally, to accommodate Adtran Networks stock option exercises, Adtran Networks issued 0.1 million of Adtran Networks common stock which resulted in proceeds of \$0.4 million, during the year ended December 31, 2023. No Adtran Networks stock options were exercised during the year ended December 31, 2024.

### Employee Pension Plan

We maintain defined benefit pension plans covering employees in certain foreign countries. Pension benefit plan obligations are based on various assumptions used by our actuaries in calculating these amounts. These assumptions include discount rates, compensation rate increases, expected return on plan assets, retirement rates and mortality rates. Actual results that differ from the assumptions and changes in assumptions could affect future expenses and obligations. Details regarding the pension plans are set forth below.

- In Germany, there are two defined benefit pension plans and two defined contribution plans. These plans provide benefits in the event of retirement, death or disability. The plan's benefits are based on age, years of service and salary. The defined benefit plans are financed by contributions paid by the Company and the defined contribution plans are financed by contributions paid by the participants.
- In Switzerland, there are two defined benefit pension plans. Both plans provide benefits in the event of retirement, death or disability. The plan's benefits are based on age, years of service, salary and on a participant's old age account. The plans are financed by contributions paid by the participants and by the Company.
- In Italy, the post-employment benefit plan is required due to statutory provisions. The plan is financed directly by the Company on a pay-as-you-go basis. Employees receive their pension payments as a function of salary, inflation and a notional account.
- In Israel, there is a defined benefit plan that provides benefits in the event of a participant being dismissed involuntarily, retirement or death. The plan's benefits are based on the higher of the severance benefit required by law or the cash surrender value of the severance benefit component of any qualifying insurance policy or long-term employee benefit fund that is registered in the participant's name. The plan is financed by contributions paid by the Company.
- In India, the post-employment benefit plan is required due to statutory provisions. The plan is financed directly by the Company on a pay-as-you-go basis.

Our defined benefit plan assets consist of a balanced portfolio of equity funds, bond funds, emerging market funds, real estate funds and balanced funds. Our investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants and consider a broad range of economic conditions. The objectives of our investment policy are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans' actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies. The investment policy is periodically reviewed by us and a designated third-party fiduciary for

investment matters. At December 31, 2024, the estimated fair market value of our defined benefit pension plans' assets decreased to \$54.5 million from \$55.2 million at December 31, 2023.

The defined benefit pension plan is accounted for on an actuarial basis, which requires the use of various assumptions, including an expected rate of return on plan assets and a discount rate. The expected return on our German plan assets that is utilized in determining the benefit obligation and net periodic benefit cost is derived from periodic studies, which include a review of asset allocation strategies, anticipated future long-term performance of individual asset classes, risks using standard deviations and correlations of returns among the asset classes that comprise the plans' asset mix. While the studies give appropriate consideration to recent plan performance and historical returns, the assumptions are primarily long-term, prospective rates of return. The discount rate has been derived from the returns of high-quality, corporate bonds denominated in euro currency with durations close to the duration of our pension obligations. The projected benefit obligation for our defined benefit pension plans was \$63.3 million and \$67.9 million as of December 31, 2024 and 2023, respectively.

The components of net periodic pension cost, other than the service cost component, are included in other income, net in the Consolidated Statements of Loss. The components of net periodic pension cost and amounts recognized in other comprehensive income (loss) for the years ended December 31, 2024 and 2023 were \$0.3 million and (\$3.9) million, respectively.

Actuarial gains and losses are recorded in accumulated other comprehensive loss. To the extent unamortized gains and losses exceed 10% of the higher of the market-related value of assets or the projected benefit obligation, the excess is amortized as a component of net periodic pension cost over the remaining service period of active participants. We estimate that less than \$0.1 million will be amortized from accumulated other comprehensive income into net periodic pension cost in 2025 for the net actuarial loss. The net actuarial loss recognized in accumulated other comprehensive loss as of December 31, 2024 and 2023 was \$1.0 million and \$2.5 million, respectively. *See Note 14 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

### Off-Balance Sheet Arrangements

We have exposure to credit losses from off-balance sheet exposures used to provide various guarantees of performance such as bid bonds, performance bonds and customs bonds, where we believe the risk of loss is immaterial to our financial statements as of December 31, 2024. Otherwise, we do not have off-balance sheet financing arrangements and have not engaged in any related party transactions or arrangements with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of or requirements for capital resources. *See Note 18 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report for additional information.*

### Cash Requirements

The following table summarizes the Company's material short- and long-term cash requirements from known obligations pursuant to certain contracts and commitments as of December 31, 2024, as well as an estimate of the timing in which such obligations and payments are expected to be satisfied (but excluding payments that may be made pursuant to the DPLTA and currency hedging arrangements, which are discussed below). Other than operating lease obligations, the cash requirements table excludes interest payments.

<i>(In thousands)</i>	<b>Total</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>Thereafter</b>
Wells Fargo credit agreement <sup>(1)</sup>	\$ 189,576	\$ —	\$ —	\$ 189,576	\$ —	\$ —	\$ —
Purchase obligations <sup>(2)</sup>	202,478	197,408	4,746	199	125	—	—
Operating lease obligations <sup>(3)</sup>	41,063	8,829	7,550	6,498	4,980	2,925	10,281
<b>Totals</b>	<b>\$ 433,117</b>	<b>\$ 206,237</b>	<b>\$ 12,296</b>	<b>\$ 196,273</b>	<b>\$ 5,105</b>	<b>\$ 2,925</b>	<b>\$ 10,281</b>

(1) See description below.

(2) We have purchase obligations related to open purchase orders to our contract manufacturers, ODMs, component suppliers, service partners and other vendors. The settlement of our purchase obligations will occur at various dates beginning in 2025 and going through 2028. See Note 18 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report for more information.

(3) We have operating leases for office space, automobiles and various other equipment in the U.S. and in certain international locations. Our operating leases had remaining lease terms ranging from 1 month to 167 months as of December 31, 2024.

### Stock Repurchase Program

There were no stock repurchases during the years ended December 31, 2024 and 2023, and there currently is no authorized stock repurchase plan.

### Wells Fargo Credit Agreement

On July 18, 2022, ADTRAN Holdings, Inc. and ADTRAN, Inc., as the borrower, entered into the Credit Agreement with the Administrative Agent and the other lenders named therein. The Credit Agreement was subsequently amended on August 9, 2023, January 16, 2024, March 12, 2024, and June 4, 2024. As of December 31, 2024, ADTRAN, Inc.'s borrowings under the revolving line of credit were \$189.6 million. The Credit Facility matures in July 2027; however, the Company has an option to request extensions subject to customary conditions. *See Note 11 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report and "Liquidity and Capital Resources" in Part I, Item 2 of this report for additional information.*

#### *Nord/LB Revolving Line of Credit*

On March 29, 2023, Adtran Networks entered into a \$16.1 million unsecured revolving line of credit with Norddeutsche Landesbank - Girozentrale (Nord/LB) that bore interest of Euro Short Term Rate plus 1.94%. The line of credit had a perpetual term that could be terminated by the Company or Nord/LB at any time. As of December 31, 2023, Adtran Networks repaid the outstanding borrowings and terminated the Nord/LB Revolving Line of Credit.

#### *Prior Nord/LB Revolving Line of Credit*

On August 8, 2022, Adtran Networks entered into a \$16.1 million revolving line of credit with Norddeutsche Landesbank - Girozentrale (Nord/LB) that bore interest of Euro Short Term Rate plus 1.4% and matured in August 2023. On January 31, 2023, the Company repaid the outstanding borrowings and terminated the Nord/LB revolving line of credit.

#### *Syndicated Credit Agreement Working Capital Line of Credit*

In September 2018, Adtran Networks entered into a syndicated credit agreement with Bayerische Landesbank and Deutsche Bank AG Branch German Business to borrow up to \$10.7 million as part of a working capital line of credit. On January 31, 2023, the Company repaid the outstanding borrowings and terminated the syndicated credit agreement working capital line of credit.

#### *DZ Bank Revolving Line of Credit*

In the fourth quarter of 2022, Adtran Networks entered into a revolving line of credit with DZ Bank to borrow up to \$9.1 million. Interest on the line of credit reset monthly based on renewal of the loan and was 2.8% at the time the loan was repaid. On March 12, 2023, the Company repaid the outstanding borrowings and terminated the DZ Bank revolving line of credit.

#### *Syndicated Credit Agreement Note Payable*

In September 2018, Adtran Networks entered into a syndicated credit agreement with Bayerische Landesbank and Deutsche Bank AG Branch German Business to borrow \$63.7 million. On January 31, 2023, the Company repaid the outstanding borrowings and terminated the syndicated credit agreement note payable.

#### *Currency Hedging Arrangements*

On November 3, 2022, the Company entered into a euro/U.S. dollar forward contract arrangement (the "Initial Forward") with Wells Fargo Bank, N.A. (the "Hedge Counterparty"). The Initial Forward, which was governed by the provisions of an ISDA Master Agreement (including schedules thereto and transaction confirmations that supplement such agreement) entered into between the Company and the Hedge Counterparty, enabling the Company to convert a portion of its euro denominated payment obligations under the proposed DPLTA into U.S. Dollars. Under the Initial Forward, the Company agreed to exchange an aggregate notional amount of €160.0 million for U.S. dollars at a daily fixed forward rate ranging from EUR/USD 0.98286 to 1.03290. The aggregate amount of €160.0 million was divided into eight quarterly tranches of €20.0 million, which commenced in the fourth quarter of 2022. During the twelve months ended December 31, 2024, the Company settled four €20.0 million forward contract tranches.

On March 21, 2023, the Company entered into a euro/U.S. dollar forward contract arrangement (the "Forward") with the Hedge Counterparty. Under the Forward, which was governed by the provisions of an ISDA Master Agreement (including schedules thereto and transaction confirmations that supplement such agreement) entered into between the Company and the Hedge Counterparty, the Company exchanged an aggregate notional amount of €160.0 million for U.S. dollars at an average rate of EUR/USD 1.085. During the twelve months ended December 31, 2024, the Company settled four \$20.0 million forward contract tranches. As of December 31, 2024, both the Initial Forward and Forward have fully matured and are no longer outstanding.

#### *Receivables Purchase Arrangements*

On July 1, 2024, the Company entered into receivables purchase agreement (the "Factoring Agreement") with a third-party financial institution (the "Factor"), which accelerates receivable collection and helps to better manage cash flow. Total accounts receivables factored as of the end of December 31, 2024, totaled \$18.3 million of which \$3.7 million was retained pursuant to the Factoring Agreement in the reserve account. The Factoring Agreement provides for up to \$40.0 million in factoring capacity, subject to eligible receivables and reserve requirements, secured by the receivables. The balance in the reserve account is included in other assets on the Consolidated Balance Sheets. The cost of the Factoring Agreement is included in interest expense in the Consolidated Statements of Loss and totaled \$0.6 million for the year ended December 31, 2024. Costs of a previous receivables purchase agreement, which are included in interest expense in the Consolidated Statements of Loss totaled \$0.9 million for the year ended December 31, 2023.

#### *Domination and Profit and Loss Transfer Agreement*

The DPLTA between the Company, as the controlling company, and Adtran Networks SE, as the controlled company, as executed on December 1, 2022, became effective on January 16, 2023, as a result of its registration with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) at the registered seat of Adtran Networks (Jena).

Under the DPLTA, subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, (i) the Company is entitled to issue binding instructions to the management board of Adtran Networks, (ii) Adtran Networks will transfer its annual profit to the Company, subject to, among other things, the creation or dissolution of certain reserves, and (iii) the Company will generally

absorb the annual net loss incurred by Adtran Networks. The Company's payment obligation in satisfaction of the requirement that it absorb Adtran Networks' annual net loss applied for the first time to the net loss generated in 2023.

Pursuant to the terms of the DPLTA, each Adtran Networks shareholder (other than the Company) has received an offer to elect either (1) to remain an Adtran Networks shareholder and receive from us an Annual Recurring Compensation payment, or (2) to receive Exit Compensation plus guaranteed interest. The guaranteed interest under the Exit Compensation is calculated from the effective date of the DPLTA to the date the shares are tendered, less any Annual Recurring Compensation paid. The guaranteed interest rate is 5.0% plus a variable component (according to the German Civil Code) that was 3.37% as of December 31, 2024. Assuming all the minority holders of currently outstanding Adtran Networks shares were to elect the second option, we would be obligated to make aggregate Exit Compensation payments, including guaranteed interest, of approximately €333.2 million or approximately \$344.9 million, based on an exchange rate as of December 31, 2024 and reflecting interest accrued through December 31, 2024 during the pendency of the appraisal proceedings discussed below. Shareholders electing the first option of Annual Recurring Compensation may later elect the second option. The opportunity for outside Adtran Networks shareholders to tender Adtran Networks shares in exchange for Exit Compensation had been scheduled to expire on March 16, 2023. However, due to the appraisal proceedings that were initiated in 2023 in accordance with applicable German law, this time period for tendering shares has been extended pursuant to the German Stock Corporation Act (*Aktiengesetz*) and will end two months after the date on which a final decision in such appraisal proceedings has been published in the Federal Gazette (*Bundesanzeiger*). The Company expects to receive a ruling on a procedural matter in the DPLTA appraisal proceedings during the latter half of 2025 or 2026, which ruling, depending on outcome, will likely be appealed and may take 6-12 months to be decided on appeal. The Company does not expect that a trial on the merits of the DPLTA appraisal proceedings will commence until the procedural matter has been resolved. The proceeding for the trial on the merits of the DPLTA will likely take a minimum of 12 months for a ruling and such ruling will likely be appealed, which would be expected to take an additional 12-24 months to be resolved. Accordingly, the Company does not expect a final decision on the DPLTA appraisal proceedings to be rendered and published prior to 2027, and most likely not until 2028 or beyond.

Additionally, our obligation to pay Annual Recurring Compensation under the DPLTA is a continuing payment obligation, which will amount to approximately €8.9 million or \$9.3 million (based on the current exchange rate) per year assuming none of the minority Adtran Networks shareholders were to elect Exit Compensation. The foregoing amounts do not reflect any potential increase in payment obligations that we may have depending on the outcome of ongoing appraisal proceedings in Germany. The Annual Recurring Compensation is due on the third banking day following the ordinary general shareholders' meeting of Adtran Networks for the respective preceding fiscal year (but in any event within eight months following expiration of the fiscal year). With respect to the 2023 fiscal year, Adtran Networks' ordinary general shareholders' meeting occurred on June 28, 2024 and, therefore, the Annual Recurring Compensation was paid on July 3, 2024. With respect to the 2024 fiscal year, Adtran Networks' ordinary general shareholder meeting is scheduled for June 27, 2025, and therefore, the Annual Recurring Compensation will be due on July 2, 2025. During the year ended December 31, 2024 and 2023, we accrued \$9.8 million and \$10.1 million, respectively, in Annual Recurring Compensation. The Annual Recurring Compensation is reflected as an increase to retained deficit in the Consolidated Balance Sheets.

On October 18, 2022, the Company's Board of Directors authorized the Company to purchase additional shares of Adtran Networks through open market purchases not to exceed 15,346,544 shares. For the year ended December 31, 2024, approximately 831 thousand shares of Adtran Networks stock were tendered to the Company. This resulted in total Exit Compensation payments of approximately €15.7 million, or approximately \$17.4 million, based on exchange rates at the time of the transactions, being paid to Adtran Networks shareholders. For the year ended December 31, 2023, a total of 67 thousand shares of Adtran Networks stock was tendered to the Company and Exit Compensation payments of approximately €1.2 million or approximately \$1.3 million based on an exchange rate as of December 31, 2023, were paid to Adtran Networks shareholders.

We currently hold 34,856,559 no-par value bearer shares of Adtran Networks, representing 67.0% of Adtran Networks outstanding shares as of February 27, 2025.

The foregoing description of the DPLTA does not purport to be complete and is qualified in its entirety by reference to the DPLTA, a non-binding English translation of which is incorporated by reference to Exhibit 10.11 of this Annual Report on Form 10-K/A.

#### *Business Efficiency Program*

During the fourth quarter of 2023, the Company initiated a Business Efficiency Program designed to optimize the assets, business processes, and information technology systems of the Company in relation to the Business Combination with Adtran Networks. The Business Efficiency Program included expenses specifically associated with achieving run-rate synergies as well as Business Efficiency Program expenses described below. Other than the Company's stated air of selling its headquarters, the Business Efficiency Program

was substantially complete as of December 31, 2024. *See Note 20 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report for additional information.*

During the years ended December 31, 2024 and 2023, we recognized \$44.7 million and \$25.1 million of costs relating to the Business Efficiency Program, respectively. Future cash payments include severance costs, outplacement fees and site consolidation that are anticipated to be approximately \$10.3 million.

#### *Business Combination Integration Costs*

During the years ended December 31, 2024 and 2023, we recognized \$1.9 million and \$4.9 million of integration costs related to the Business Combination, respectively, that are included in selling, general and administrative expenses, research & development expenses and cost of revenue in the Condensed Consolidated Statement of Loss.

#### *Other Cash Requirements*

During the year ended December 31, 2024, other than the Exit Compensation payments, Annual Recurring Compensation under the DPLTA, restructuring costs and increased debt service costs, there have been no other material changes in cash requirements from those discussed in the 2023 Form 10-K and our cash requirements table shown in Liquidity and Capital Resources above.

#### *Performance Bonds*

Certain contracts, customers and jurisdictions in which we do business require us to provide various guarantees of performance such as bid bonds, performance bonds and customs bonds. As of December 31, 2024 and 2023, we had commitments related to these bonds totaling \$15.7 million and \$10.8 million, respectively, which expire at various dates through April 2029. In general, we would only be liable for the amount of these guarantees in the event of default under each contract; the probability of which we believe is remote.

## Critical Accounting Policies and Estimates

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made if different estimates reasonably could have been used or if changes in the accounting estimate that are reasonably likely to occur could materially impact the results of financial operations. Several accounting policies, as described in Note 1 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report, require material subjective or complex judgment and have a significant impact on our financial condition and results of operations, as applicable. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Consolidated Financial Statements:

### *Revenue*

Revenue is measured based on the consideration expected to be received in exchange for transferring goods or providing services to a customer and as performance obligations under the terms of the contract are satisfied. Generally, this occurs with the transfer of control of a product to the customer. For transactions where there are multiple performance obligations, individual products and services are accounted for separately if they are distinct (if a product or service is separately identifiable from other items and if a customer can benefit from it on its own or with other resources that are readily available to the customer). The consideration, including any discounts, is allocated between separate products and services based on their stand-alone selling prices. Stand-alone selling prices are determined based on the prices at which the separate products and services are sold and are allocated based on each item's relative value to the total value of the products and services in the arrangement. For items that are not sold separately, we estimate stand-alone selling prices primarily using the "expected cost plus a margin" approach. Payment terms are generally 30 days in the U.S. and typically longer in many geographic markets outside the U.S. Shipping fees collected are recorded as revenue and the related cost is included in cost of revenue. Revenue, value-added and other taxes collected concurrently with revenue-producing activities are excluded from revenue. Incremental costs of obtaining a contract, that are recoverable, are capitalized and amortized over the period that the related revenue is recognized if greater than one year. We have elected to account for shipping fees paid as a cost of fulfilling the related contract. We have also elected to apply the practical expedient related to the incremental costs of obtaining contracts and recognize those costs as an expense when incurred if the amortization period of the assets is one year or less. These costs are included in selling, general and administrative expenses. Capitalized costs with an amortization period greater than one year were immaterial.

Revenue is generated by two reportable segments: Network Solutions and Services & Support.

**Network Solutions Segment** - Includes hardware products and software defined next-generation virtualized solutions used in Service Provider or business networks, as well as prior generation products. The majority of the revenue from this segment is from hardware revenue.

### *Hardware and Software Revenue*

Revenue from hardware sales is recognized when control is transferred to the customer, which is generally when the products are shipped. Shipping terms are generally FOB shipping point. Revenue from software license sales is recognized at delivery and transfer of control to the customer. Revenue is recorded net of estimated discounts and rebates using historical trends. Customers are typically invoiced when control is transferred and revenue is recognized. Our products generally include assurance-based warranties of 90 days to five years for product defects, which are accrued at the time products are delivered.

**Services & Support Segment** - Includes a complete portfolio of maintenance, network implementation and solutions integration and managed services, which include hosted cloud services and subscription services to complement our Network Solutions segment.

### *Maintenance Revenue*

Our maintenance service periods range from one month to five years. Customers are typically invoiced and pay for maintenance services at the beginning of the maintenance period. We recognize revenue for maintenance services on a straight-line basis over the maintenance period as our customers benefit evenly throughout the contract term and deferred revenue, when applicable, is recorded in unearned revenue and non-current unearned revenue. The total balance of our unearned revenue was \$74.8 million and \$65.1 million as of December 31, 2024 and 2023, respectively.

### *Network Implementation Revenue*

We recognize revenue for network implementation, which primarily consists of engineering, execution and enablement services at a point in time when each performance obligation is complete. If we have recognized revenue but have not billed the customer, the right to consideration is recognized as a contract asset that is included in other receivables on the Consolidated Balance Sheets. The contract asset is transferred to accounts receivable when the completed performance obligation is invoiced to the customer.



### *Receivables Purchase Agreement*

On July 1, 2024, the Company entered into a receivables purchase agreement (the “Factoring Agreement”) with a third-party financial institution (the “Factor”), which accelerates receivable collection and helps to better manage cash flow. These transactions are accounted for in accordance with ASC Topic 860 and result in a reduction in accounts receivable because the Factoring Agreement transfers effective control over, and risk related to the receivables to the buyers. Trade accounts receivables balances sold are removed from the Consolidated Balance Sheets and cash received is reflected as cash flows provided by (used in) operating activities in the Consolidated Statements of Cash Flow. Factoring related interest expense is recorded to interest expense on the Consolidated Statements of Loss. On each sale date, the Factor retains from the sale price a default reserve, up to a required balance, which is held by the Factor in a reserve account and pledged to the Company. The Factor is entitled to withdraw from the reserve account the sale price of a defaulted receivable. The balance in the reserve account is included in other assets on the Consolidated Balance Sheets.

### *Previous Receivables Purchase Agreement*

On December 19, 2023, the Company entered into a factoring agreement with a third-party financial institution to sell, on a revolving basis, undivided interests in the Company’s accounts receivable. The factoring agreement qualified for treatment as a secured borrowing with a pledge of collateral under Accounting Standards Codification (“ASC”) Topic 810, *Consolidations*, as the Company was considered the primary beneficiary in a variable interest entity created to hold the factored receivables and the Company retained a residual claim on reserves related to the factored receivables. The receivables factored were carried in accounts receivable, less allowance for credit losses on the Consolidated Balance Sheets, the secured borrowings were carried on the Company’s Consolidated Balance Sheets as a current liability, in accounts payable, proceeds and repayments of the secured borrowings are reflected as cash flows (used in) provided by financing activities in the Consolidated Statements of Cash Flows and program fees are recorded in interest expense in the Company’s Consolidated Statements of Loss. The short-term liability classification of the secured borrowings was based on the estimated timing of the collection of the accounts receivable which were expected to be received within 12 months. The receivables purchase agreement was terminated on July 1, 2024 and there were no secured borrowings under this agreement as of December 31, 2024. *See Note 2 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

### *Inventory*

We carry our inventory at the lower of cost and net realizable value, with cost being determined using the first-in, first-out method. Standard costs for material, labor, and manufacturing overhead are used to value inventory and are updated at least quarterly. Most variances are expensed in the current period; therefore, our inventory costs approximate actual costs at the end of each reporting period. We establish reserves for estimated excess and obsolete inventory equal to the difference between the cost of the inventory and the estimated net realizable value of the inventory based on estimated reserve percentages, which consider historical usage, known trends, inventory age and market conditions. If actual trends and market conditions are less favorable than those projected by management, we may be required to make additional inventory write-downs.

### *Stock-Based Compensation*

For purposes of determining the estimated fair value of market-based PSU awards on the date of grant, the Monte Carlo Simulation valuation method is used. These PSUs are subject to a market condition based on the relative total stockholder return of Adtran against all of the companies in the NASDAQ Telecommunications Index and vest at the end of a three-year performance period. The fair value of performance-based PSUs, RSUs and restricted stock is equal to the closing price of our stock on the business day immediately preceding the grant date. Compensation expense related to unvested performance-based PSUs is recognized over the requisite service period of two to three years as the achievement of the performance obligation becomes probable. For purposes of determining the estimated fair value of our stock option awards on the date of grant, we use the Black-Scholes Model. This model requires the input of certain assumptions that require subjective judgment. These assumptions include, but are not limited to, expected stock price volatility over the term of the awards and actual and projected employee stock option exercise behaviors. Because our stock option awards have characteristics significantly different from those of traded options, and because changes in the input assumptions can materially affect the fair value estimate, the existing model may not provide a reliable, single measure of the fair value of our stock option awards. Management will continue to assess the assumptions and methodologies used to calculate the estimated fair value of stock-based compensation. Circumstances may change and additional data may become available over time, which could result in changes to these assumptions and methodologies and thereby materially impact our fair value determination. If factors change in future periods, the compensation expense that we record may differ significantly from what we have recorded in the current period. As of December 31, 2024, total unrecognized compensation expense related to the non-vested portion of market-based PSUs, RSUs and restricted stock was approximately \$10.7 million.

Pursuant to the Business Combination, which closed on July 15, 2022, Adtran Networks stock option holders were entitled to have their Adtran Networks stock options assumed by ADTRAN Holdings (applying the exchange ratio in the Business Combination Agreement), thereafter representing options to acquire stock of ADTRAN Holdings. The maximum number of shares of ADTRAN Holdings stock potentially issuable upon such assumption was 2.3 million shares. The period in which such options could be assumed ended July 22, 2022. A total of 2.1 million shares of ADTRAN Holdings stock were subject to assumed Adtran Networks options. The determination of the fair value of stock options assumed by ADTRAN Holdings was estimated using the Monte Carlo method and is affected by its stock price, as well as assumptions regarding a number of complex and subjective variables that may have a significant impact on the fair value estimate. The stock option pricing model requires the use of several assumptions that impact the fair value estimate. These variables include, but are not limited to, the volatility of the Company's stock price and employee exercise behaviors. As of December 31, 2024, total unrecognized compensation expense related to the non-vested portion of stock options was approximately \$3.2 million.

#### *Assets Held for Sale*

An asset is considered to be held for sale when all the following criteria are met: (i) management commits to a plan to sell the asset; (ii) the asset is available for immediate sale in its present condition; (iii) actions required to complete the sale of the asset have been initiated; (iv) sale of the asset is probable and the completed sale is expected to occur within one year; (v) it is unlikely that the disposal plan will be significantly modified; and (vi) the asset is actively being marketed for sale at a price that is reasonable given its current market value.

The Company records assets held for sale at the lower of their carrying value or fair value. The total carrying value of assets held for sale was \$11.9 million as of December 31, 2024 and is separately recorded on the balance sheet.

#### *Goodwill*

Goodwill represents the excess purchase price over the fair value of net assets acquired. The Company's annual impairment assessment is done at the reporting unit level, which we determined are generally the same as our operating segments, which are identified in Note 16 to the Consolidated Financial Statements. We review goodwill for impairment annually during the fourth quarter and also test for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of our reporting units below their carrying amount. Such events and circumstances may include among others: a significant adverse change in legal factors or in the general business climate; significant decline in our stock price and market capitalization; unanticipated competition; the testing for recoverability of a significant asset within the reporting unit; and an adverse action or assessment by a regulator. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on our consolidated financial statements.

During the first quarter of 2024, qualitative factors such as a decrease in the Company's market capitalization, lower service provider spending and delayed holding patterns of inventory with respect to customers caused us to reduce our forecasts, triggering a quantitative impairment assessment for our reporting units. The Company determined the fair value of each reporting unit using a combination of an income approach and a market approach. The significant inputs and assumptions used in the determination of the fair value of our reporting units based on future cash flows for the reporting units, requires significant judgment and the use of estimates and assumptions related to cash flow projections, discount rate, peer group determination and market multiple selection. The Company determined upon its quantitative impairment assessment to recognize a \$297.4 million non-cash goodwill impairment charge for the Network Solutions reporting unit. The quantitative impairment analysis indicated there was no impairment of the Services & Support goodwill during the first quarter of 2024.

The Company's annual impairment test date is October 1, 2024. Based on our analysis, management concluded that there was no impairment of goodwill as of that date. Between the annual impairment date of October 1, 2024 and year-end December 31, 2024, there were no additional triggering events.

During 2023, the Company experienced decreased market capitalization and long-term projections. Therefore, an interim impairment test over goodwill was performed as of September 30, 2023. The Company determined the fair value of each reporting unit using a combination of an income approach and a market approach. Management's determination of the fair value of our reporting units, based on future cash flows for the reporting units, requires significant judgment and the use of estimates and assumptions related to cash flow projections, discount rate, peer group determination and market multiple selection. It was determined that the decreases in projected future cash flows, discount rates, overall macroeconomic conditions, as well as the decrease in our market capitalization applied in the valuation, were required to align with market-based assumptions and company-specific risk, which resulted in lower fair values of the Services & Support reporting unit. As a result of the interim assessment, the Company recorded a goodwill impairment charge of \$37.9 million as its estimated fair value was less than its book value on that date. No other goodwill impairment charges were recorded during 2023.

No goodwill impairment charge was recorded in 2022 as a result of the Company's internal assessment.

The balance of our goodwill was \$52.9 million and \$358.2 million as of December 31, 2024 and 2023, respectively.

### *Intangible Assets*

Purchased intangible assets with finite lives are carried at cost less accumulated amortization. Amortization is recorded over the estimated useful lives of the respective assets.

The balance of our intangible assets was \$284.9 million and \$337.4 million as of December 31, 2024 and 2023, respectively.

### *Impairment of Long-Lived Assets and Intangibles*

Long-lived assets, such as property, plant and equipment, right of use lease assets and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset or asset group.

During the first quarter of 2024, factors triggered a quantitative impairment assessment for the Network Solutions asset group. The long-lived assets associated with the Network Solutions asset group was \$361.5 million as of December 31, 2024.

There were no impairment losses for long-lived assets and intangible assets during the years ended December 31, 2024, 2023 and 2022.

### *Income Taxes*

We estimate our income tax provision or benefit in each of the jurisdictions in which we operate, including estimating exposures related to examinations by taxing authorities. We also make judgments regarding the realization of deferred tax assets and establish valuation allowances where we believe it is more likely than not that future taxable income in certain jurisdictions will be insufficient to realize these deferred tax assets. Our estimates regarding future taxable income and income tax provision or benefit may vary due to changes in market conditions, changes in tax laws, or other factors. If our assumptions, and consequently our estimates, change in the future, the valuation allowances we have established may be increased or decreased, impacting future income tax expense. We continually review the adequacy of our valuation allowance and recognize the benefits of deferred tax assets only as the reassessment indicates that it is more likely than not that the deferred tax assets will be realized in accordance with ASC 740, Income Taxes. During the fourth quarter of 2023, after considering all quantitative and qualitative evidence, including our cumulative loss position, we have determined that the negative evidence outweighs the positive evidence and have concluded that it is not more likely than not that our U.S. federal and certain other state deferred tax assets were realizable for one of the consolidated filing groups. As a result, we recorded a valuation allowance against those assets and continue to maintain the valuation allowance through 2024. Additional valuation allowance was recorded against certain deferred tax assets on our foreign entities as not more likely than not realizable. However, the amount of deferred tax assets considered realizable could be adjusted and valuation allowance released in future periods in the event that sufficient positive evidence is present to support a conclusion that it is more likely than not that all or a portion of our domestic and foreign deferred tax assets will be realized.

In determining whether an uncertain tax position exists, the Company determines, based solely on its technical merits, whether the tax position is more likely than not to be sustained upon examination, and if so, a tax benefit is measured on a cumulative probability basis that is more likely than not to be realized upon the ultimate settlement. The Company recognizes interest and penalties related to unrecognized tax benefits through interest expense and income tax expense, respectively.

### *Pension Benefit Plan Obligations*

Pension benefit plan obligations are based on various assumptions used by our actuaries in calculating these amounts. These assumptions include discount rates, compensation rate increases, expected return on plan assets, retirement rates and mortality rates. Actual results that differ from the assumptions and changes in assumptions could affect future expenses and obligations. Our net pension liability totaled \$8.8 million and \$12.7 million at December 31, 2024 and December 31, 2023, respectively. This liability is included in non-current pension liability, accrued wages and benefits and other non-current assets in the accompanying Consolidated Balance Sheets.

### *Lease Obligations*

We have operating leases for office space, automobiles and various other equipment in the U.S. and in certain international locations. Other contracts, such as manufacturing agreements and service agreements, are reviewed to determine if they contain potential embedded leases. These other contracts are specifically reviewed to determine whether we have the right to substantially all of the economic benefit from the use of any specified assets or the right to direct the use of any specified assets, either of which would indicate the existence of a lease. Some of our leases include options to renew. For those leases that are reasonably assured to be renewed, we have included the option to extend as part of our right of use asset and lease liability. The exercise of lease renewal options is at our sole discretion. The depreciable life of leased assets and leasehold improvements are limited by the expected lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet and lease expense for these leases is recognized on a straight-line basis over the lease term. For lease agreements entered into or reassessed after the adoption of Topic 842, we elected to not separate lease and non-lease components. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

### *Business Combinations*

The Company records assets acquired, liabilities assumed, contractual contingencies, when applicable, and intangible assets recognized as part of business combinations based on their fair values on the date of acquisition subject to purchase accounting adjustments. The excess of the purchase price over the estimated fair values of the net tangible and intangible assets and liabilities assumed or acquired is recorded as goodwill. If the estimated fair values of net tangible and intangible assets acquired and liabilities assumed exceed the purchase price, a bargain purchase gain is recorded. The Company's estimates of fair value are based on historical experience, industry knowledge, certain information obtained from the management of the acquired company and, in some cases, valuations performed by independent third-party firms. The results of operations of acquired companies are included in the accompanying Consolidated Statements of Loss since their dates of acquisition. Costs incurred to complete the Business Combination, such as legal, accounting or other professional fees, are charged to selling, general and administrative expenses as incurred.

### *Recently Issued Accounting Pronouncements*

For a discussion of recently issued accounting pronouncements, *see Note 1 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information.*

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

---

We are exposed to financial market risks, including changes in foreign currency rates, prices of marketable equity and fixed-income securities. In addition, the ongoing global pandemic raises the possibility of an extended economic downturn and has caused volatility in financial markets. The primary objective of the large majority of our investment activities is to preserve principal while at the same time achieve appropriate yields without significantly increasing risk. To achieve this objective, a majority of our marketable securities are investment grade, fixed-rate bonds and municipal money market instruments denominated in U.S. dollars. Our investment policy provides limitations for issuer concentration, by restricting, at the time of purchase, the concentration in any one issuer to 5% of the market value of our total investment portfolio.

We maintain depository investments with certain financial institutions. As of December 31, 2024, \$72.4 million of our cash and cash equivalents, primarily foreign depository accounts, were in excess of government provided insured depository limits. Although these depository investments exceed government insured depository limits, we have evaluated the credit worthiness of these financial institutions and determined the risk of material financial loss due to exposure of such credit risk to be minimal.

### **Interest Rate Risk**

As of December 31, 2024, approximately \$5.9 million of our cash and investments may be directly affected by changes in interest rates. As of December 31, 2024, we held \$5.9 million of cash and variable-rate investments where a change in interest rates would impact our interest income. A hypothetical 50 basis point decline in interest rates as of December 31, 2024, assuming all other variables remain constant, would reduce annualized interest income on our cash and investments by less than \$0.1 million. As of December 31, 2024, the carrying amounts of our revolving credit agreements totaled \$189.6 million where a change in interest rates would impact our interest expense. A hypothetical 50 basis point increase in interest rates as of December 31, 2024, assuming all other variables remain constant, would increase our interest expense by \$1.0 million. The analyses cover our debt and investments. The analyses use actual or approximate maturities for the debt and investments. The discount rates used were based on the market interest rates in effect at December 31, 2024. As of December 31, 2024 we have not entered into any derivative instruments to hedge the impact of the changes in variable interest rates under our revolving credit agreements.

### **Foreign Currency Exchange Rate Risk**

We are exposed to changes in foreign currency exchange rates to the extent that such changes affect our revenue and gross margin on revenue derived from some international customers, operating expenses, and assets and liabilities held in non-functional currencies related to our foreign subsidiaries. Our primary exposures to foreign currency exchange rate movements are with the euro and the British pound. Our revenue is primarily denominated in the respective functional currency of the subsidiary and paid in that subsidiary's functional currency or certain other local currency. The majority of our global supply chain predominately makes payments in U.S. dollars and some of our operating expenses are paid in certain local currencies (approximately 45.2% of total operating expense for the year ended December 31, 2024, respectively). Therefore, our revenue, gross margins, operating expenses and operating loss are all subject to foreign currency fluctuations. As a result, changes in currency exchange rates could cause variations in our operating loss. A hypothetical 10% movement in foreign exchange rates would result in a before-tax positive or negative impact of approximately \$7.1 million for the year ended December 31, 2024. Actual future gains and losses associated with our foreign currency exposures and positions may differ materially from the sensitivity analyses performed as of December 31, 2024 due to the inherent limitations associated with predicting the foreign currency exchange rates, and our actual exposures and positions.

We have certain customers and suppliers who are invoiced or pay in a non-functional currency. Changes in the monetary exchange rates used to invoice such customers versus the functional currency of the entity billing such customers may adversely affect our results of operations and financial condition. To manage the volatility relating to these typical business exposures, we may enter into various derivative transactions, when appropriate. We do not hold or issue derivative instruments for trading or other speculative purposes. All non-functional currencies billed would result in a combined hypothetical gain or loss of \$7.4 million if the U.S. dollar weakened or strengthened 10% against the billing currencies. All non-functional currencies invoiced by suppliers would result in a combined hypothetical gain or loss of \$7.1 million if the U.S. dollar weakened or strengthened 10% against the billing currencies. This change represents an increase in the amount of hypothetical gain or loss compared to prior periods and is mainly due to an increase in U.S. dollar denominated billings in a non-U.S. dollar denominated subsidiary.

As of December 31, 2024, we had certain material contracts subject to currency revaluation, including accounts receivable, accounts payable and lease liabilities denominated in foreign currencies. As of December 31, 2024, we had 39 forward contracts outstanding with a fair value of \$0.6 million. The objective of these foreign currency forward contracts is to reduce the impact of currency exchange rate movements on our operating results by offsetting gains and losses on the forward contracts with increases or decreases in foreign currency transactions. We do not use foreign currency contracts for speculative or trading purposes. Hedging of our currency exposures may not always be effective to protect us against currency exchange rate fluctuations. *See Note 10 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.*

On November 3, 2022, the Company entered into a euro/U.S. dollar forward contract arrangement (the "Initial Forward") with Wells Fargo Bank, N.A. (the "Hedge Counterparty"). The Initial Forward, which was governed by the provisions of an ISDA Master Agreement (including schedules thereto and transaction confirmations that supplement such agreement) entered into between the Company and the Hedge Counterparty, enabling the Company to convert a portion of its euro denominated payment obligations under the proposed DPLTA into U.S. Dollars. Under the Initial Forward, the Company agreed to exchange an aggregate notional amount of €160.0 million for U.S. dollars at a daily fixed forward rate ranging from EUR/USD 0.98286 to 1.03290. The aggregate amount of €160.0 million was divided into eight quarterly tranches of €20.0 million, which commenced in the fourth quarter of 2022. During the twelve months ended December 31, 2024, the Company settled four €20.0 million forward contract tranches.

On March 21, 2023, the Company entered into a euro/U.S. dollar forward contract arrangement (the "Forward") with the Hedge Counterparty. Under the Forward, which was governed by the provisions of an ISDA Master Agreement (including schedules thereto and transaction confirmations that supplement such agreement) entered into between the Company and the Hedge Counterparty, the Company exchanged an aggregate notional amount of €160.0 million for U.S. dollars at an average rate of EUR/USD 1.085. During the twelve months ended December 31, 2024, the Company settled four \$20.0 million forward contract tranches. As of December 31, 2024, both the Initial Forward and Forward have fully matured and are no longer outstanding.

For further information about the fair value of our investments as of December 31, 2024, *see Note 10 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.*

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements are contained in this report.

	<u>Page</u>
Report of Independent Registered Public Accounting Firm.....	
Financial Statements .....	76
Consolidated Balance Sheets, As of December 31, 2024 (Restated) and 2023 (Restated) .....	76
Consolidated Statements of Loss, Years Ended December 31, 2024 (Restated), 2023 (Restated) and 2022 .....	77
Consolidated Statements of Comprehensive (Loss) Income, Years Ended December 31, 2024 (Restated), 2023 (Restated) and 2022 .....	78
Consolidated Statements of Changes in Equity, Years Ended December 31, 2024 (Restated), 2023 (Restated) and 2022 .....	79
Consolidated Statements of Cash Flows, Years Ended December 31, 2024 (Restated), 2023 (Restated) and 2022 .....	80
Schedule II - Valuation and Qualifying Accounts, Years Ended December 31, 2024 (Restated), 2023 and 2022 .....	146

PricewaterhouseCoopers LLP; PCAOB Firm ID: 238; Birmingham, Alabama

### Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of ADTRAN Holdings, Inc.

#### *Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of ADTRAN Holdings, Inc. and its subsidiaries (the “Company”) as of December 31, 2024 and 2023, and the related consolidated statements of loss, of comprehensive (loss) income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2024, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO because material weaknesses in internal control over financial reporting existed as of that date related to the Company not (i) designing and maintaining effective controls in response to the risks of material misstatement; (ii) designing and maintaining effective controls over financial statement preparation, presentation and disclosure commensurate with its financial reporting requirements; and (iii) designing and maintaining effective controls to address the initial application of complex accounting standards and accounting of non-routine, unusual or complex events and transactions.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses referred to above are described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. We considered these material weaknesses in determining the nature, timing, and extent of audit tests applied in our audit of the 2024 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

#### *Restatement of Previously Issued Financial Statements and Management's Conclusion Regarding Internal Control over Financial Reporting*

As discussed in Note 1 to the consolidated financial statements, the Company has restated its 2024 and 2023 financial statements and financial statement schedule to correct errors.

Management and we previously concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2024 because of the material weaknesses related to the Company not (i) designing and maintaining effective controls in response to the risks of material misstatement; (ii) designing and maintaining effective controls over financial statement preparation, presentation and disclosure commensurate with its financial reporting requirements; and (iii) designing and maintaining effective controls to address the initial application of complex accounting standards and accounting of non-routine, unusual or complex events and transactions. However, management has subsequently determined that material weaknesses in internal control over financial reporting existed as of December 31, 2024 related to the Company not (i) designing and maintaining effective controls relating to communicating accurate information internally and with those charged with governance and (ii) designing and maintaining effective controls over an inventory suspense account. Accordingly, management's report and our opinion on the effectiveness of internal control over financial reporting have been restated to include these additional material weaknesses.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.



### *Valuation of Inventory – Estimate of Certain Excess and Obsolete Reserves*

As described in Notes 1 and 5 to the consolidated financial statements, the Company's consolidated net inventory as of December 31, 2024 was \$261.6 million, of which certain inventory is subject to certain excess and obsolete reserves. Management establishes reserves for estimated excess and obsolete inventory equal to the difference between the cost of the inventory and the estimated net realizable value of the inventory based on estimated reserve percentages, which consider historical usage, known trends, inventory age, and market conditions.

The principal considerations for our determination that performing procedures relating to the valuation of inventory – estimate of certain excess and obsolete reserves is a critical audit matter are (i) the significant judgment by management when developing the estimate of certain excess and obsolete inventory reserves and (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumption related to the estimated reserve percentages.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to certain excess and obsolete inventory reserves, including controls over the significant assumption related to estimated reserve percentages. These procedures also included, among others (i) testing management's process for developing the estimate of certain excess and obsolete inventory reserves; (ii) evaluating the appropriateness of management's estimation methodology; (iii) testing the completeness and accuracy of the underlying data used in developing the estimate of certain excess and obsolete inventory reserves, including historical usage, known trends, and inventory age; and (iv) evaluating the reasonableness of the significant assumption used by management related to the estimated reserve percentages. Evaluating management's assumption related to the estimated reserve percentages involved considering (i) the current and past results of the Company; (ii) a comparison of the prior year estimate to actual activity in the current year; and (iii) whether the assumption was consistent with evidence obtained in other areas of the audit.

### *Accounts Receivable Factoring*

As described in Notes 1 and 2 to the consolidated financial statements, on July 1, 2024, the Company entered into a receivables purchase agreement (the "Factoring Agreement") with a third-party financial institution (the "Factor"), which accelerates receivable collection. Total accounts receivables factored as of December 31, 2024 totaled \$18.3 million, of which \$3.7 million was retained pursuant to the Factoring Agreement in the reserve account. These transactions result in a reduction in accounts receivable because the Factoring Agreement transfers effective control and risk related to the receivables to the buyers. On each sale date, the Factor retains from the sale price a default reserve, up to a required balance, which is held by the Factor in a reserve account and pledged to the Company. The Factor is entitled to withdraw from the reserve account the sale price of a defaulted receivable.

The principal considerations for our determination that performing procedures relating to the accounts receivable factoring is a critical audit matter are a high degree of auditor effort in performing procedures and evaluating audit evidence related to evaluating the Factoring Agreement. As described in the "Opinions on the Financial Statements and Internal Control over Financial Reporting" section, a material weakness was identified related to this matter.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others (i) reading the Factoring Agreement; (ii) evaluating management's assessment that the transactions under the Factoring Agreement were appropriately accounted for; (iii) confirming the accounts receivables factored as of December 31, 2024 with the Factor; (iv) testing the classification of accounts receivable factored, including whether balances have been properly excluded from the accounts receivable balance as of December 31, 2024; and (v) evaluating the sufficiency of the disclosures in the consolidated financial statements.

### *Interim Goodwill and Asset Group Impairment Assessments – Network Solutions Reporting Unit and Asset Group*

As described in Notes 1, 8, and 9 to the consolidated financial statements, the Company's goodwill balance was \$52.9 million as of December 31, 2024, and the goodwill associated with the Network Solutions reporting unit was \$0 million. The Company's long-lived assets, such as property, plant and equipment, right of use lease assets, and purchased intangibles subject to amortization were \$421.7 million as of December 31, 2024, and the long-lived assets associated with the Network Solutions asset group were \$361.5 million. Goodwill is tested by management for impairment annually during the fourth quarter and reviewed for impairment if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting units below their carrying amount. Long lived assets are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During the first quarter of 2024, management identified factors triggering a quantitative impairment assessment for the Company's reporting units and Network Solutions asset group, resulting in a \$297.4 million goodwill impairment charge for the Network Solutions reporting unit. Management determined the fair value of the Network Solutions reporting unit using a combination of an income approach and a market approach. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset group. The significant inputs and assumptions used in the determination of the fair value of the reporting unit requires significant judgment and the use of

estimates and assumptions related to revenue growth rates, earnings before interest, taxes, depreciation and amortization (“EBITDA”) margins, discount rate, peer group determination, and revenue and EBITDA market multiples. The significant inputs and assumptions used in the determination of the cash flows expected to be generated by the asset group requires significant judgment and the use of estimates and assumptions related to revenue growth rates, EBITDA margins, peer group determination, and disposition exit multiple.

The principal considerations for our determination that performing procedures relating to the interim goodwill and asset group impairment assessments of the Network Solution reporting unit and asset group is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the Network Solutions reporting unit and when developing the cash flows expected to be generated by the Network Solutions asset group; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management’s significant assumptions related to (a) revenue growth rates and EBITDA margins for the Network Solutions reporting unit and asset group, (b) revenue and EBITDA market multiples for the Network Solutions reporting unit, and (c) disposition exit multiple for the Network Solutions asset group (collectively, the “aforementioned assumptions”); and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s goodwill and asset group impairment assessments, including controls over the valuation of the Network Solutions reporting unit and asset group. These procedures also included, among others (i) testing management’s process for developing the fair value estimate of the Network Solutions reporting unit and for developing the cash flows expected to be generated by the Network Solutions asset group; (ii) evaluating the appropriateness of the income approach, market approach, and undiscounted future cash flows approach used by management; (iii) testing the completeness and accuracy of underlying data used by management in the income approach, market approach, and undiscounted future cash flows approach; and (iv) evaluating the reasonableness of the significant assumptions used by management related to the aforementioned assumptions. Evaluating management’s assumptions related to revenue growth rates and EBITDA margins for the Network Solutions reporting unit and asset group involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the Network Solutions reporting unit and asset group; (ii) the consistency with external market and industry data; and (iii) whether the assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the income approach, market approach, and undiscounted future cash flows approach and (ii) the reasonableness of the revenue and EBITDA market multiples assumptions for the Network Solutions reporting unit and disposition exit multiple assumption for the Network Solutions asset group.

/s/ PricewaterhouseCoopers LLP  
Birmingham, Alabama

March 3, 2025, except for the effects of the restatement discussed in Note 1 to the consolidated financial statements and the matter described in the penultimate paragraph of Management’s Report on Internal Control over Financial Reporting, as to which the date is May 20, 2025

We have served as the Company’s auditor since 1986.

## Financial Statements

**ADTRAN Holdings, Inc.**  
**Consolidated Balance Sheets**  
(In thousands, except per share amount)  
December 31, 2024 and 2023

### ASSETS

	2024 (Restated)	2023 (Restated)
<b>Current Assets</b>		
Cash and cash equivalents	\$ 76,021	\$ 87,167
Accounts receivable, less allowance for credit losses of \$1,300 and \$400 as of December 31, 2024 and 2023, respectively	178,030	209,737
Other receivables	9,775	17,450
Income tax receivable	5,461	3,198
Inventory, net	261,557	360,424
Assets held for sale	11,901	—
Prepaid expenses and other current assets	56,395	40,991
<b>Total Current Assets</b>	<b>599,140</b>	<b>718,967</b>
Property, plant and equipment, net	106,454	118,157
Deferred tax assets, net	17,826	29,294
Goodwill	52,918	358,150
Intangibles, net	284,893	337,423
Other non-current assets	78,128	87,706
Long-term investments	32,060	27,743
<b>Total Assets</b>	<b>\$ 1,171,419</b>	<b>\$ 1,677,440</b>

### LIABILITIES AND EQUITY

<b>Current Liabilities</b>		
Accounts payable	\$ 171,825	\$ 162,922
Unearned revenue	52,701	42,500
Accrued expenses and other liabilities	34,158	36,204
Accrued wages and benefits	32,853	27,152
Income tax payable	1,936	5,221
<b>Total Current Liabilities</b>	<b>293,473</b>	<b>273,999</b>
Non-current revolving credit agreement outstanding	189,576	195,000
Deferred tax liabilities	30,372	35,566
Non-current unearned revenue	22,065	22,632
Non-current pension liability	8,983	12,543
Deferred compensation liability	33,203	29,039
Non-current lease obligations	25,925	31,420
Other non-current liabilities	17,928	28,657
<b>Total Liabilities</b>	<b>621,525</b>	<b>628,856</b>
Commitments and contingencies (see Note 18)		
<b>Redeemable Non-Controlling Interest</b>	422,943	443,327
<b>Equity</b>		
Common stock, par value \$0.01 per share; 200,000 shares authorized; 79,483 shares issued and 79,218 outstanding as of December 31, 2024 and 78,970 shares issued and 78,674 shares outstanding as of December 31, 2023	795	790
Additional paid-in capital	808,913	794,468
Accumulated other comprehensive income	11,254	47,530
Retained deficit	(688,813)	(231,706)
Less treasury stock at cost: 266 and 297 shares as of December 31, 2024 and 2023, respectively	(5,198)	(5,825)
<b>Total Equity</b>	<b>126,951</b>	<b>605,257</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,171,419</b>	<b>\$ 1,677,440</b>

See accompanying notes to consolidated financial statements.

**ADTRAN Holdings, Inc.**  
**Consolidated Statements of Loss**  
(In thousands, except per share amounts)  
Years ended December 31, 2024, 2023 and 2022

	2024 (Restated)	2023 (Restated)	2022
<b>Revenue</b>			
Network Solutions	\$ 738,964	\$ 974,389	\$ 916,793
Services & Support	183,756	174,711	108,743
<b>Total Revenue</b>	<b>922,720</b>	<b>1,149,100</b>	<b>1,025,536</b>
<b>Cost of Revenue</b>			
Network Solutions	517,220	724,518	647,105
Network Solutions - charges and inventory write-down	8,597	24,313	—
Services & Support	72,739	69,142	51,179
<b>Total Cost of Revenue</b>	<b>598,556</b>	<b>817,973</b>	<b>698,284</b>
<b>Gross Profit</b>	<b>324,164</b>	<b>331,127</b>	<b>327,252</b>
Selling, general and administrative expenses	232,918	258,610	208,889
Research and development expenses	221,458	258,311	173,757
Asset impairment	—	—	17,433
Goodwill impairment	297,353	37,874	—
<b>Operating Loss</b>	<b>(427,565)</b>	<b>(223,668)</b>	<b>(72,827)</b>
Interest and dividend income	3,058	2,340	2,123
Interest expense	(22,053)	(16,299)	(3,437)
Net investment gain (loss)	3,587	2,754	(11,339)
Other income, net	246	1,266	14,517
<b>Loss Before Income Taxes</b>	<b>(442,727)</b>	<b>(233,607)</b>	<b>(70,963)</b>
Income tax (expense) benefit	(7,340)	(28,299)	62,075
<b>Net Loss</b>	<b>\$ (450,067)</b>	<b>\$ (261,906)</b>	<b>\$ (8,888)</b>
<b>Net Income (Loss) attributable to non-controlling interest <sup>(1)</sup></b>	<b>9,824</b>	<b>6,946</b>	<b>(6,851)</b>
<b>Net Loss attributable to ADTRAN Holdings, Inc.</b>	<b>\$ (459,891)</b>	<b>\$ (268,852)</b>	<b>\$ (2,037)</b>
Weighted average shares outstanding – basic	78,928	78,416	62,346
Weighted average shares outstanding – diluted	78,928	78,416	62,346
Loss per common share attributable to ADTRAN Holdings, Inc. – basic	\$ (5.79) <sup>(2)</sup>	\$ (3.43)	\$ (0.03)
Loss per common share attributable to ADTRAN Holdings, Inc. – diluted	\$ (5.79) <sup>(2)</sup>	\$ (3.43)	\$ (0.03)

(1) For the year ended December 31, 2024 we accrued \$9.8 million of net income attributable to non-controlling interest, representing the recurring cash compensation earned by non-controlling interest shareholders post-DPLTA. For the year ended December 31, 2023, we accrued \$10.1 million, representing the recurring cash compensation earned by non-controlling interest shareholders post-DPLTA, partially offset by a \$3.2 million net loss attributable to non-controlling interests pre-DPLTA. 12-24

(2) Loss per common share attributable to ADTRAN Holdings, Inc. - basic and diluted - reflects a \$3.0 million effect of redemption of RNCI for the year ended December 31, 2024. See Note 19 for additional information.

*See accompanying notes to consolidated financial statements.*

*ADTRAN Holdings, Inc.*  
*Consolidated Statements of Comprehensive (Loss) Income*  
*(In thousands)*  
*Years ended December 31, 2024, 2023 and 2022*

	2024 (Restated)	2023 (Restated)	2022
Net Loss	\$ (450,067)	\$ (261,906)	\$ (8,888)
<b>Other Comprehensive (Loss) Income, net of tax</b>			
Net unrealized gain (loss) on available-for-sale securities	—	454	(284)
Defined benefit plan adjustments	1,479	(1,490)	4,597
Foreign currency translation (loss) gain	(37,755)	22,822	53,396
<b>Other Comprehensive (Loss) Income, net of tax</b>	<b>(36,276)</b>	<b>21,786</b>	<b>57,709</b>
<b>Comprehensive (Loss) Income, net of tax</b>	<b>(486,343)</b>	<b>(240,120)</b>	<b>48,821</b>
<b>Less: Comprehensive Income attributable to non-controlling interest</b>	<b>9,824</b>	<b>7,328</b>	<b>12,818</b>
<b>Comprehensive (Loss) Income attributable to ADTRAN Holdings, Inc., net of tax</b>	<b>\$ (496,167)</b>	<b>\$ (247,448)</b>	<b>\$ 36,003</b>

*See accompanying notes to consolidated financial statements.*

**ADTRAN Holdings, Inc.**  
**Consolidated Statements of Changes in Equity**  
(In thousands, except per share amounts)  
Years ended December 31, 2024, 2023 and 2022

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non- controlling interest	Total Equity
<b>Balance as of December 31, 2021</b>	<b>79,652</b>	<b>\$ 797</b>	<b>\$ 288,946</b>	<b>\$ 740,820</b>	<b>\$ (661,547)</b>	<b>\$ (11,914)</b>	<b>\$ —</b>	<b>\$ 357,102</b>
Net loss	—	—	—	(2,037)	—	—	(6,851)	(8,888)
Acquisition of Adtran Networks	27,995	280	577,980	—	—	—	316,415	894,675
Retirement of treasury stock	(30,330)	(303)	—	(655,761)	656,064	—	—	—
Other comprehensive income, net of tax	—	—	—	—	—	38,040	19,669	57,709
Dividend payments (\$0.09 per share)	—	—	—	(22,885)	—	—	—	(22,885)
Dividends accrued on unvested restricted stock units	—	—	—	353	—	—	—	353
Deferred compensation adjustments, net of tax	—	—	—	—	(71)	—	—	(71)
ADTRAN RSUs and restricted stock vested	372	4	—	(10,482)	631	—	—	(9,847)
ADTRAN stock options exercised	399	3	—	5,330	798	—	—	6,131
Reclassification of Adtran Networks stock options	—	—	187	—	—	—	99	286
Adtran Networks stock options exercised	—	—	472	—	—	—	254	726
ADTRAN stock-based compensation expense	—	—	26,141	—	—	—	—	26,141
Adtran Networks stock-based compensation expense	—	—	2,108	—	—	—	73	2,181
<b>Balance as of December 31, 2022</b>	<b>78,088</b>	<b>781</b>	<b>895,834</b>	<b>55,338</b>	<b>(4,125)</b>	<b>26,126</b>	<b>329,659</b>	<b>1,303,613</b>
Net loss	—	—	—	(258,727)	—	—	(3,179)	(261,906)
Annual recurring compensation earned	—	—	—	(10,125)	—	—	—	(10,125)
Acquisition of Adtran Networks	—	—	—	3,762	—	—	—	3,762
Reclassification and remeasurement from equity to mezzanine equity for non-controlling interests in Adtran Networks	—	—	(116,895)	—	—	—	(326,862)	(443,757)
Mezzanine equity for non-controlling interest in Adtran Networks for Adtran Networks stock options exercised	—	—	(1,175)	—	—	—	—	(1,175)
Other comprehensive income, net of tax	—	—	—	—	—	21,404	382	21,786
Dividend payments (\$0.09 per share)	—	—	—	(21,237)	—	—	—	(21,237)
Dividends accrued on unvested restricted stock units	—	—	—	8	—	—	—	8
Deferred compensation adjustments, net of tax	—	—	—	(145)	(1,700)	—	—	(1,845)
ADTRAN RSUs and restricted stock vested	859	9	—	(1,115)	—	—	—	(1,106)
ADTRAN stock options exercised	23	—	—	164	—	—	—	164
Redemption of redeemable non-controlling interest	—	—	—	371	—	—	—	371
Adtran Networks stock options exercised	—	—	323	—	—	—	—	323
Modification of stock options	—	—	339	—	—	—	—	339
ADTRAN stock-based compensation expense	—	—	16,016	—	—	—	—	16,016
Adtran Networks stock-based compensation expense	—	—	26	—	—	—	—	26
<b>Balance as of December 31, 2023 (restated)</b>	<b>78,970</b>	<b>790</b>	<b>794,468</b>	<b>(231,706)</b>	<b>(5,825)</b>	<b>47,530</b>	<b>—</b>	<b>605,257</b>
Net loss	—	—	—	(450,067)	—	—	—	(450,067)
Annual recurring compensation earned	—	—	—	(9,824)	—	—	—	(9,824)
Remeasurement of redeemable non-controlling interest	—	—	(1,175)	—	—	—	—	(1,175)
Other comprehensive loss, net of tax	—	—	—	—	—	(36,276)	—	(36,276)
Deferred compensation adjustments, net of tax	—	—	(368)	—	627	—	—	259
ADTRAN RSUs and restricted stock vested	374	4	—	(1,026)	—	—	—	(1,022)
ADTRAN stock options exercised	139	1	—	824	—	—	—	825
Modification of Stock Options	—	—	(190)	—	—	—	—	(190)
Redemption of redeemable non-controlling interest	—	—	—	2,986	—	—	—	2,986
ADTRAN stock-based compensation expense	—	—	14,825	—	—	—	—	14,825
Adtran Networks stock-based compensation expense	—	—	1,353	—	—	—	—	1,353
<b>Balance as of December 31, 2024 (restated)</b>	<b>79,483</b>	<b>\$ 795</b>	<b>\$ 808,913</b>	<b>\$ (688,813)</b>	<b>\$ (5,198)</b>	<b>\$ 11,254</b>	<b>\$ —</b>	<b>\$ 126,951</b>

See accompanying notes to consolidated financial statements.

**ADTRAN Holdings, Inc.**  
**Consolidated Statements of Cash Flows**  
**(In thousands)**  
**Years ended December 31, 2024, 2023 and 2022**

	2024 (Restated)	2023 (Restated)	2022
<b>Cash flows from operating activities:</b>			
Net Loss	\$ (450,067)	\$ (261,906)	\$ (8,888)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	90,529	112,949	67,553
Asset impairment	—	—	17,433
Goodwill impairment	297,353	37,874	—
Amortization of debt issuance cost	3,950	862	288
(Accretion) amortization on available-for-sale investments, net	—	(22)	19
(Gain) loss on investments	(5,030)	(2,900)	9,826
Net loss on disposal of property, plant and equipment	1,371	458	152
Stock-based compensation expense	15,988	16,381	28,322
Deferred income taxes	5,576	15,724	(62,388)
Inventory write down - business efficiency program	4,135	24,313	—
Inventory reserves	5,316	25,546	(2,363)
Other, net	—	(2,942)	—
Change in operating assets and liabilities:			
Accounts receivable, net	46,108	72,320	788
Other receivables	10,713	10,315	(20,088)
Income taxes receivable	648	2,098	—
Inventory	79,985	22,408	(73,237)
Prepaid expenses, other current assets and other assets	(13,445)	(31,964)	(7,116)
Accounts payable	10,238	(91,907)	28,105
Accrued expenses and other liabilities	4,873	11,317	(20,483)
Income taxes payable	(4,670)	(3,939)	(2,151)
<b>Net cash provided by (used in) operating activities</b>	<b>103,571</b>	<b>(43,015)</b>	<b>(44,228)</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment	(34,501)	(36,337)	(17,072)
Purchases of intangibles - developed technology	(30,671)	(9,438)	—
Proceeds from sales and maturities of available-for-sale investments	1,240	10,567	51,661
Purchases of available-for-sale investments	(268)	(868)	(23,899)
(Payments) for and proceeds from beneficial interests in securitized accounts receivable	(55)	1,218	1,126
Proceeds from disposals of property, plant and equipment	—	—	12
Acquisition of business, net of cash acquired	—	—	44,003
<b>Net cash (used in) provided by investing activities</b>	<b>(64,255)</b>	<b>(34,858)</b>	<b>55,831</b>
<b>Cash flows from financing activities:</b>			
Tax withholdings related to stock-based compensation settlements	(1,143)	(6,458)	(4,253)
Proceeds from stock option exercises	824	540	6,904
Dividend payments	—	(21,237)	(22,885)
Proceeds from receivables purchase agreement	68,556	14,099	—
Repayments on receivables purchase agreement	(83,772)	—	—
Proceeds from draw on revolving credit agreements	26,000	163,733	141,887
Repayment of revolving credit agreements	(31,000)	(64,987)	(48,000)
Redemption of redeemable non-controlling interest	(17,398)	(1,224)	—
Payment of annual recurring compensation to non-controlling interest	(10,084)	—	—
Payment of debt issuance cost	(1,994)	(708)	(3,015)
Repayment of notes payable	—	(24,891)	(17,702)
<b>Net cash (used in) provided by financing activities</b>	<b>(50,011)</b>	<b>58,867</b>	<b>52,936</b>
Net (decrease) increase in cash and cash equivalents	(10,695)	(19,006)	64,539
Effect of exchange rate changes	(451)	(2,471)	(12,713)
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<b>87,167</b>	<b>108,644</b>	<b>56,818</b>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b>\$ 76,021</b>	<b>\$ 87,167</b>	<b>\$ 108,644</b>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest	\$ 20,884	\$ 12,596	\$ 1,728
Cash paid for income taxes, net of refunds	\$ 6,691	\$ 18,552	\$ 3,832
Cash used in operating activities related to operating leases	\$ 9,274	\$ 9,682	\$ 5,229
<b>Supplemental disclosure of non-cash investing activities:</b>			
Right-of-use assets obtained in exchange for lease obligations	\$ 5,317	\$ 17,865	\$ 3,410
Purchases of property, plant and equipment included in accounts payable	\$ 2,635	\$ 1,298	\$ 1,165
Redemption of redeemable non-controlling interest	\$ 2,986	\$ 371	\$ —
Adtran Networks common shares exchanged in acquisition	\$ —	\$ —	\$ 565,491
Adtran Networks options assumed in acquisition	\$ —	\$ —	\$ 12,769
Non-controlling interest related to Adtran Networks	\$ —	\$ —	\$ 316,415

*See accompanying notes to consolidated financial statements.*

**ADTRAN Holdings, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**GENERAL**

ADTRAN Holdings, Inc. (“Adtran” or the “Company”) is a leading global provider of networking and communications platforms, software, systems and services focused on the broadband access market, serving a diverse domestic and international customer base in multiple countries that includes large, medium and small Service Providers, alternative Service Providers, such as utilities, municipalities and fiber overbuilders, cable/MSOs, SMBs and distributed enterprises, including Fortune 500 companies with sophisticated business continuity applications; and federal, state and local government agencies. Our innovative solutions and services enable voice, data, video and internet-communications across a variety of network infrastructures and are currently in use by millions worldwide. We support our customers through our direct global sales organization and our distribution networks. Our success depends upon our ability to increase unit volume and market share through the introduction of new products and succeeding generations of products having optimal selling prices and increased functionality as compared to both the prior generation of a product and to the products of competitors in order to gain market share. To service our customers and grow revenue, we are continually conducting research and developing new products addressing customer needs and testing those products for the specific requirements of the particular customers. We offer a broad portfolio of flexible software and hardware network solutions and services that enable Service Providers to meet today’s service demands, while enabling them to transition to the fully converged, scalable, highly-automated, cloud-controlled voice, data, internet and video network of the future. In addition to our global headquarters in Huntsville, Alabama, and our European headquarters in Munich, Germany, we have sales and research and development facilities in strategic global locations.

The Company solely owns ADTRAN, Inc. and is the majority shareholder of Adtran Networks SE (“Adtran Networks”). ADTRAN, Inc. is a leading global provider of open, disaggregated networking and communications solutions. Adtran Networks is a global provider of network solutions for data, storage, voice and video services. We believe that the combined technology portfolio can best address current and future customer needs for high-speed connectivity from the network core to the end consumer, especially upon the convergence of solutions at the network edge.

**Liquidity, Domination and Profit and Loss Transfer Agreement and Credit Facility**

The DPLTA between the Company, as the controlling company, and Adtran Networks SE (“Adtran Networks”), as the controlled company, as executed on December 1, 2022, became effective on January 16, 2023, as a result of its registration with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) at the registered seat of Adtran Networks (Jena).

Under the DPLTA, subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, (i) the Company is entitled to issue binding instructions to the management board of Adtran Networks, (ii) Adtran Networks will transfer its annual profit to the Company, subject to, among other things, the creation or dissolution of certain reserves, and (iii) the Company will generally absorb the annual net loss incurred by Adtran Networks. The Company’s payment obligation in satisfaction of the requirement that it absorb Adtran Networks’ annual net loss applied for the first time to the net loss generated in 2023.

Pursuant to the terms of the DPLTA, each Adtran Networks shareholder (other than the Company) has received an offer to elect either (1) to remain an Adtran Networks shareholder and receive from us an Annual Recurring Compensation payment, or (2) to receive Exit Compensation plus guaranteed interest. The guaranteed interest under the Exit Compensation is calculated from the effective date of the DPLTA to the date the shares are tendered, less any Annual Recurring Compensation paid. The guaranteed interest rate is 5.0% plus a variable component (according to the German Civil Code) that was 3.37% as of December 31, 2024. Assuming all the minority holders of currently outstanding Adtran Networks shares were to elect the second option, we would be obligated to make aggregate Exit Compensation payments, including guaranteed interest, of approximately €333.2 million or approximately \$344.9 million, based on an exchange rate as of December 31, 2024 and reflecting interest accrued through December 31, 2024 during the pendency of the appraisal proceedings discussed below. Shareholders electing the first option of Annual Recurring Compensation may later elect the second option. The opportunity for outside Adtran Networks shareholders to tender Adtran Networks shares in exchange for Exit Compensation had been scheduled to expire on March 16, 2023. However, due to the appraisal proceedings that were initiated in 2023 in accordance with applicable German law, this time period for tendering shares has been extended pursuant to the German Stock Corporation Act (*Aktiengesetz*) and will end two months after the date on which a final decision in such appraisal proceedings has been published in the Federal Gazette (*Bundesanzeiger*). The Company expects to receive a ruling on a procedural matter in the DPLTA appraisal proceedings during the latter half of 2025 or 2026, which ruling, depending on outcome, will likely be appealed and may take 6-12 months to be decided on appeal. The Company does not expect that a trial on the merits of the DPLTA appraisal proceedings will commence until the procedural matter has been resolved. The proceeding for the trial on the merits of the DPLTA will likely take a minimum of 12 months for a ruling and such ruling will likely be appealed, which would be expected to take an additional 12-24 months to be resolved. Accordingly, the Company does not expect a final decision on the DPLTA appraisal proceedings to be rendered and published prior to 2027, and most likely not until 2028 or beyond.

Additionally, our obligation to pay Annual Recurring Compensation under the DPLTA is a continuing payment obligation, which will amount to approximately €8.9 million (or \$9.3 million based on the current exchange rate) per year assuming none of the minority Adtran Networks shareholders as of December 31, 2024 were to elect Exit Compensation. The foregoing amounts do not reflect any potential increase in payment obligations that we may have depending on the outcome of ongoing appraisal proceedings in Germany. The Annual Recurring Compensation is due on the third banking day following the ordinary general shareholders’ meeting of Adtran



Networks for the respective preceding fiscal year (but in any event within eight months following expiration of the fiscal year). With respect to the 2023 fiscal year, Adtran Networks' ordinary general shareholders' meeting occurred on June 28, 2024 and, therefore, the Annual Recurring Compensation was paid on July 3, 2024. With respect to the 2024 fiscal year, Adtran Networks' ordinary general shareholder meeting is scheduled for June 27, 2025 and, therefore, the Annual Recurring Compensation will be due on July 2, 2025. During the year ended December 31, 2024 and 2023, we accrued \$9.8 million and \$10.1 million, respectively, in Annual Recurring Compensation. The Annual Recurring Compensation is reflected as an increase to retained deficit in the Consolidated Balance Sheets.

On October 18, 2022, the Company's Board of Directors authorized the Company to purchase additional shares of Adtran Networks through open market purchases not to exceed 15,346,544 shares. For the year ended December 31, 2024, approximately 831 thousand shares of Adtran Networks stock were tendered to the Company. This resulted in total Exit Compensation payments of approximately €15.7 million, or approximately \$17.4 million, based on exchange rates at the time of the transactions, being paid to Adtran Networks shareholders. For the year ended December 31, 2023, a total of 67 thousand shares of Adtran Networks stock was tendered to the Company and Exit Compensation payments of approximately €1.2 million or approximately \$1.3 million based on an exchange rate as of December 31, 2023, were paid to Adtran Networks shareholders.

On July 18, 2022, ADTRAN, Inc., as the borrower, and ADTRAN Holdings, Inc. entered into a credit agreement with a syndicate of banks, including Wells Fargo Bank, National Association, as administrative agent ("Administrative Agent"), and the other lenders named therein ("Credit Agreement"), which has since been amended four times. The Company had access to \$180.8 million on its Credit Facility for future borrowings; however, as of December 31, 2024, the Company was limited to additional borrowings of \$36.1 million based on debt covenant compliance metrics. The financial covenants under the Credit Agreement, as amended, require the Company to maintain a Consolidated Total Net Leverage Ratio of 5.00x, a Consolidated Senior Secured Net Leverage Ratio of 3.25x (4.0x to 3.5x during a Springing Covenant Period) and a Consolidated Fixed Charge Coverage Ratio of 1.25x. *See Note 11, Credit Agreements for additional information regarding the terms of the Wells Fargo Credit Agreement and its amendments.*

As of December 31, 2024, and as of the date of issuance of these financial statements, the Company does not have sufficient liquidity to meet payment obligations under the DPLTA pertaining to Exit Compensation. While the Company did experience \$17.4 million of redemptions during 2024, we believe the probability that more than a small minority of Adtran Networks shareholders elect to receive Exit Compensation in the next twelve months is remote based on the following factors: (i) the shareholders can exercise their right to receive the Exit Compensation until two months after publication of the final decision in the appraisal proceedings and we do not expect the final decision to be published within the next 12 months; (ii) the diverse base of shareholders that must make this election on an individual shareholder basis; (iii) the fact that the Company expects to receive a procedural decision during 2025 or 2026 that will likely be appealed and, while the date of a decision by the court on the merits of the case is uncertain, it will likely take a minimum of 12 months for a ruling and, thereafter, an expected appeal process will take a further 12-24 months to resolve; (iv) the current guaranteed Annual Recurring Compensation payment; and (v) the current trading value of Adtran Networks shares.

The Company experienced revenue declines in 2024. The Company is implementing plans to preserve cash liquidity to maintain compliance with the Company's covenants in case of further impacts related to customer inventory reduction initiatives and uncertain macroeconomic conditions. Additionally, the Company suspended dividend payments and effectuated a Business Efficiency Program. The Business Efficiency Program was substantially completed as of December 31, 2024, other than the Company's aim of selling its headquarters. The Company has determined that it is probable that the sale of our headquarters in Huntsville will occur within the next twelve months after December 31, 2024. We may need to further reduce capital expenditure and/or take other steps to preserve working capital in order to ensure that we can meet our needs and obligations and maintain compliance with our debt covenants.

In summary, the Company believes that its cash and cash equivalents, investments, working capital management initiatives and availability to access cash under the Wells Fargo credit facility will be adequate to meet our business operating requirements, our capital expenditures and our expected obligations under the DPLTA, including anticipated levels of Exit Compensation and to support our ability to continue to comply with our debt covenants under the Credit Facility, for at least the next twelve months, from the issuance of these financial statements. *See Note 11, Credit Agreements, for additional information regarding the terms of the Amendments of the Wells Fargo Credit agreement.*

## **Note 1 - Summary Of Significant Accounting Policies**

### **Basis of Presentation**

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") and include the financial position, results of operations, comprehensive (loss) income, changes in equity and cash flows of Adtran and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

## Restatement of Previously Issued Consolidated Financial Statements

On May 13, 2025, the Audit Committee of the Board of Directors (the “Audit Committee”) of the Company concluded, after considering the recommendations of management, that the Company’s (i) audited consolidated financial statements as of and for the years ended December 31, 2024 (“Fiscal 2024”) and December 31, 2023 (“Fiscal 2023”) included in the Company’s Annual Report on Form 10-K filed with the SEC on March 3, 2025 (the “2024 Form 10-K”), and (ii) unaudited condensed consolidated financial statements as of and for the interim periods ended March 31, 2024, June 30, 2024 and September 30, 2024 (the “2024 Interim Periods”) included in the Company’s Quarterly Reports filed with the SEC on May 10, 2024, August 9, 2024, and November 12, 2024, respectively (such 2024 Interim Periods, collectively with Fiscal 2024 and Fiscal 2023, the “Non-Reliance Periods”), as well as the relevant portions of any communication which describe or are based on such financial statements, should no longer be relied upon.

In addition, on May 13, 2025, the Company announced that it needed additional time to complete its quarterly reporting process as a result of the restatements to the annual periods ended December 31, 2023 and 2024 and for the interim periods ended March 31, 2024, June 30, 2024 and September 30, 2024, as well as to complete its evaluation of internal control over financial reporting as of December 31, 2024 as a result of errors related to the historical accounting for certain inventory and cost of goods sold transactions in its Adtran Networks SE subsidiary (the “Adjustment”). As a result, the Company filed a Form 12b-25 with the SEC and delayed its filing of its Quarterly Report on Form 10-Q for the quarter ended March 31, 2025.

In connection with the identification of the Adjustment, the Audit Committee has overseen an internal investigation into the circumstances surrounding the Adjustment and its impact on the Company’s historical financial statements. Based on the findings of the internal investigation, which is substantially complete, it has been determined that the underlying errors giving rise to the Adjustment were not properly addressed in the Company’s previously filed financial statements as of and for the years ended December 31, 2024 and 2023 and were not communicated to the Audit Committee or the independent auditors prior to the filing of the initial 2024 and 2023 Annual Reports on Form 10-K. As described in Item 9A of this Amendment No. 1, the Company is taking certain remedial actions to address the material weaknesses in its internal controls associated with these findings.

The impact of the correction of the misstatements and errors on the Condensed Consolidated Financial Statements for the quarterly periods ended March 31, 2024, June 30, 2024 and September 30, 2024 are summarized in Note 22, Restatement of Quarterly Financial Information (Unaudited).

The impact of the correction of the misstatements and errors has been reflected within Schedule II – Valuation and Qualifying Accounts for the year ended December 31, 2024.

We assessed the materiality of the errors on prior period consolidated financial statements in accordance with SEC Staff Accounting Bulletin No. 99, “Materiality,” codified in ASC Topic 250, Accounting Changes and Error Corrections. Based on this assessment, we concluded that the errors, in the aggregate, are material to Fiscal 2024 and Fiscal 2023 and therefore, we are restating those financial statements herein. Furthermore, we made adjustments to correct for other previously identified immaterial errors. The impact of the correction of the misstatements and errors on the Consolidated Financial Statements for the years ended December 31, 2024 and 2023, as well as previously identified immaterial errors which have now been corrected, is summarized below. The Company has also restated impacted amounts within the accompanying footnotes to the Consolidated Financial Statements.

The impact of the correction of the misstatements and errors on the Consolidated Statements of Cash Flows were driven by changes in the related Consolidated Balance Sheet and Consolidated Statement of Loss and Comprehensive Income (Loss) line items. Below is a summary description of the significant errors:

ADJ 1: Pursuant to the terms of the DPLTA, each Adtran Networks shareholder (other than the Company) is entitled to receive from us an Annual Recurring Compensation payment of €0.52 per share. The Company erroneously accrued this liability every quarter at €0.59 per share, overstating the associated accrual, the net income attributable to non-controlling interest and the net loss attributable to ADTRAN Holdings, Inc. for fiscal periods beginning with the quarter ended March 31, 2023 through the quarter ended June 30, 2024.

ADJ 2: For the periods beginning with the quarter ended March 31, 2023 through the quarter ended June 30, 2024 the Company remeasured the redeemable non-controlling interest each quarter-end at the current exchange rate of euros to U.S. Dollar. The Company treated the redeemable non-controlling interest as a monetary mezzanine equity instrument but should have treated it as a non-monetary mezzanine equity instrument not subject to remeasurement.

ADJ 3: For the year ended December 31, 2023 through the year ended December 31, 2024, the Company understated cost of revenue and overstated inventory in the Company's Adtran Networks subsidiary due to a system error. In addition, there were adjustments in the Company's U.S and Australian subsidiaries related to inventory reserves that were understated.

ADJ 4: For the year ended December 31, 2023 through the year ended December 31, 2024, the Company understated goodwill and overstated income tax receivable. The understatement was attributable to corrections to goodwill and deferred income tax associated with goodwill for an internal divestiture of a wholly owned subsidiary required by statutory laws in Europe.

In addition to the misstatements identified above, the Company has corrected other immaterial errors. These other errors are quantitatively and qualitatively immaterial, individually and in the aggregate. However, the Company has corrected these other errors as part of the correction for the significant errors described above.

The following tables reflect the impact of the restatements to the specific line items presented in the Company's previously reported Consolidated Balance Sheets as of December 31, 2024 and 2023.

ASSETS		As of December 31, 2024					
		Adj Reference	As Reported	Adjustment	As Restated		
Current Assets							
Cash and cash equivalents		\$	77,567	\$	(1,546)	\$	76,021
Accounts receivable, less allowance for credit losses of \$1,300 as of December 31, 2024			178,030		—		178,030
Other receivables			9,775		—		9,775
Income tax receivable			5,461		—		5,461
Inventory, net	ADJ 3		269,337		(7,780)		261,557
Assets held for sale			11,901		—		11,901
Prepaid expenses and other current assets			58,534		(2,139)		56,395
Total Current Assets			610,605		(11,465)		599,140
Property, plant and equipment, net			102,942		3,512		106,454
Deferred tax assets, net			17,826		—		17,826
Goodwill			52,918		—		52,918
Intangibles, net			284,893		—		284,893
Other non-current assets			78,128		—		78,128
Long-term investments			32,060		—		32,060
Total Assets			\$ 1,179,372		\$ (7,953)		\$ 1,171,419
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts payable		\$	170,451	\$	1,374	\$	171,825
Unearned revenue			52,701		—		52,701
Accrued expenses and other liabilities			35,704		(1,546)		34,158
Accrued wages and benefits			32,853		—		32,853
Income tax payable			1,936		—		1,936
Total Current Liabilities			293,645		(172)		293,473
Non-current revolving credit agreement outstanding			189,576		-		189,576
Deferred tax liabilities			30,690		(318)		30,372
Non-current unearned revenue			22,065		—		22,065
Non-current pension liability			8,983		—		8,983
Deferred compensation liability			33,203		—		33,203
Non-current lease obligations			25,925		—		25,925
Other non-current liabilities			17,928		—		17,928
Total Liabilities			622,015		(490)		621,525
Commitments and contingencies (see Note 18)							
Redeemable Non-Controlling Interest			422,943		—		422,943
Equity							
Common stock, par value \$0.01 per share; 200,000 shares authorized; 79,483 shares issued and 79,218 outstanding as of December 31, 2024			795		—		795
Additional paid-in capital			808,913		—		808,913
Accumulated other comprehensive income	ADJ 3, 4		10,897		357		11,254
Retained deficit	ADJ 3, 4		(680,993)		(7,820)		(688,813)
Less treasury stock at cost: 266 shares as of December 31, 2024			(5,198)		—		(5,198)
Total Equity			134,414		(7,463)		126,951
Total Liabilities and Equity			\$ 1,179,372		\$ (7,953)		\$ 1,171,419

		As of December 31, 2023		
ASSETS	Adj Reference	As Reported	Adjustment	As Restated
<b>Current Assets</b>				
Cash and cash equivalents		\$ 87,167	\$ —	\$ 87,167
Accounts receivable, less allowance for credit losses of \$400 as of December 31, 2023		216,445	(6,708)	209,737
Other receivables		17,450	—	17,450
Income tax receivable		7,933	(4,735)	3,198
Inventory, net	ADJ 3	362,295	(1,871)	360,424
Prepaid expenses and other current assets		45,566	(4,575)	40,991
<b>Total Current Assets</b>		<b>736,856</b>	<b>(17,889)</b>	<b>718,967</b>
Property, plant and equipment, net		113,582	4,575	118,157
Deferred tax assets, net	ADJ 4	25,787	3,507	29,294
Goodwill	ADJ 4	353,415	4,735	358,150
Intangibles, net		337,423	—	337,423
Other non-current assets		87,706	—	87,706
Long-term investments		27,743	—	27,743
<b>Total Assets</b>		<b>\$ 1,682,512</b>	<b>\$ (5,072)</b>	<b>\$ 1,677,440</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts payable		\$ 162,922	\$ —	\$ 162,922
Unearned revenue		46,731	(4,231)	42,500
Accrued expenses and other liabilities	ADJ 1	37,607	(1,403)	36,204
Accrued wages and benefits		27,030	122	27,152
Income tax payable	ADJ 4	5,221	—	5,221
<b>Total Current Liabilities</b>		<b>279,511</b>	<b>(5,512)</b>	<b>273,999</b>
Non-current revolving credit agreement outstanding		195,000	—	195,000
Deferred tax liabilities	ADJ 4	35,655	(89)	35,566
Non-current unearned revenue		25,109	(2,477)	22,632
Non-current pension liability		12,543	—	12,543
Deferred compensation liability		29,039	—	29,039
Non-current lease obligations		31,420	—	31,420
Other non-current liabilities		28,657	—	28,657
<b>Total Liabilities</b>		<b>636,934</b>	<b>(8,078)</b>	<b>628,856</b>
Commitments and contingencies (see Note 20)				
<b>Redeemable Non-Controlling Interest</b>	<b>ADJ 2</b>	<b>451,756</b>	<b>(8,429)</b>	<b>443,327</b>
<b>Equity</b>				
Common stock, par value \$0.01 per share; 200,000 shares authorized; 78,970 shares issued and 78,674 outstanding as of December 31, 2023		790	—	790
Additional paid-in capital		795,304	(836)	794,468
Accumulated other comprehensive income	ADJ 1	47,461	69	47,530
Retained deficit	ADJ 1, 2, 4	(243,908)	12,202	(231,706)
Less treasury stock at cost: 297 shares as of December 31, 2023		(5,825)	—	(5,825)
<b>Total Equity</b>		<b>593,822</b>	<b>11,435</b>	<b>605,257</b>
<b>Total Liabilities and Equity</b>		<b>\$ 1,682,512</b>	<b>\$ (5,072)</b>	<b>\$ 1,677,440</b>

The following tables reflect the impact of the restatements to the specific line items presented in the Company's previously reported Consolidated Statement of Loss and the Consolidated Statement of Comprehensive Loss for the years ended December 31, 2024 and 2023.

		Year Ended December 31, 2024		
	Adj Reference	As Reported	Adjustment	As Restated
<b>Revenue</b>				
Network Solutions		\$ 738,964	\$ —	\$ 738,964
Services & Support		183,756	—	183,756
<b>Total Revenue</b>		<b>922,720</b>	<b>—</b>	<b>922,720</b>
<b>Cost of Revenue</b>				
Network Solutions	ADJ 3	511,070	6,150	517,220
Network Solutions - inventory write-down and other charges		8,597	—	8,597
Services & Support		72,739	—	72,739
<b>Total Cost of Revenue</b>		<b>592,406</b>	<b>6,150</b>	<b>598,556</b>
<b>Gross Profit</b>		<b>330,314</b>	<b>(6,150)</b>	<b>324,164</b>
Selling, general and administrative expenses		233,369	(451)	232,918
Research and development expenses		221,463	(5)	221,458
Goodwill impairment	ADJ 4	292,583	4,770	297,353
<b>Operating Loss</b>		<b>(417,101)</b>	<b>(10,464)</b>	<b>(427,565)</b>
Interest and dividend income		3,058	—	3,058
Interest expense		(22,053)	—	(22,053)
Net investment gain		3,587	—	3,587
Other income, net		246	—	246
<b>Loss Before Income Taxes</b>		<b>(432,263)</b>	<b>(10,464)</b>	<b>(442,727)</b>
Income tax expense	ADJ 4	(8,785)	1,445	(7,340)
<b>Net Loss</b>		<b>\$ (441,048)</b>	<b>\$ (9,019)</b>	<b>\$ (450,067)</b>
<b>Less: Net Income attributable to non-controlling interest<sup>(1)</sup></b>		<b>9,824</b>	<b>—</b>	<b>9,824</b>
<b>Net Loss attributable to ADTRAN Holdings, Inc.</b>		<b>\$ (450,872)</b>	<b>\$ (9,019)</b>	<b>\$ (459,891)</b>
Weighted average shares outstanding – basic		78,928	78,928	78,928
Weighted average shares outstanding – diluted		78,928	78,928	78,928
Loss per common share attributable to ADTRAN Holdings, Inc. – basic		\$ (5.67)	\$ (0.12)	\$ (5.79)
Loss per common share attributable to ADTRAN Holdings, Inc. – diluted		\$ (5.67)	\$ (0.12)	\$ (5.79)
<b>Net Loss</b>		<b>\$ (441,048)</b>	<b>\$ (9,019)</b>	<b>\$ (450,067)</b>
<b>Other Comprehensive Loss, net of tax</b>				
Defined benefit plan adjustments		1,479	—	1,479
Foreign currency translation loss	ADJ 3, 4	(38,047)	292	(37,755)
<b>Other Comprehensive Loss, net of tax</b>		<b>(36,568)</b>	<b>292</b>	<b>(36,276)</b>
<b>Comprehensive Loss, net of tax</b>		<b>(477,616)</b>	<b>(8,727)</b>	<b>(486,343)</b>
<b>Less: Comprehensive Income attributable to non-controlling interest, net of tax</b>		<b>9,824</b>	<b>—</b>	<b>9,824</b>
<b>Comprehensive Loss attributable to ADTRAN Holdings, Inc., net of tax</b>		<b>\$ (487,440)</b>	<b>\$ (8,727)</b>	<b>\$ (496,167)</b>

(1) For the year ended December 31, 2024 we accrued \$9.8 million of net income attributable to non-controlling interest, representing the recurring cash compensation earned by non-controlling interest shareholders post-DPLTA

Year Ended December 31, 2023				
Adj Reference	As Reported	Adjustment	As Restated	
	\$ 974,389	\$ —	\$ 974,389	
	174,711	—	174,711	
	<b>1,149,100</b>	<b>—</b>	<b>1,149,100</b>	
ADJ 3	722,582	1,936	724,518	
	24,313	—	24,313	
	69,142	—	69,142	
	<b>816,037</b>	<b>1,936</b>	<b>817,973</b>	
	<b>333,063</b>	<b>(1,936)</b>	<b>331,127</b>	
	258,149	461	258,610	
	258,311	—	258,311	
	37,874	—	37,874	
	<b>(221,271)</b>	<b>(2,397)</b>	<b>(223,668)</b>	
	2,340	—	2,340	
	(16,299)	—	(16,299)	
	2,754	—	2,754	
	1,266	—	1,266	
	<b>(231,210)</b>	<b>(2,397)</b>	<b>(233,607)</b>	
ADJ 4	(28,133)	(166)	(28,299)	
	<b>\$ (259,343)</b>	<b>\$ (2,563)</b>	<b>\$ (261,906)</b>	
ADJ 1	<b>8,345</b>	<b>(1,399)</b>	<b>6,946</b>	
	<b>\$ (267,688)</b>	<b>\$ (1,164)</b>	<b>\$ (268,852)</b>	
	78,416	78,416	78,416	
	78,416	78,416	78,416	
	\$ (3.41)	\$ (0.01)	\$ (3.43)	
	\$ (3.41)	\$ (0.01)	\$ (3.43)	
	<b>\$ (259,343)</b>	<b>\$ (2,563)</b>	<b>\$ (261,906)</b>	
	454	—	454	
	(1,490)	—	(1,490)	
ADJ 1	22,753	69	22,822	
	<b>21,717</b>	<b>69</b>	<b>21,786</b>	
	<b>(237,626)</b>	<b>(2,494)</b>	<b>(240,120)</b>	
ADJ 1	<b>8,727</b>	<b>(1,399)</b>	<b>7,328</b>	
	<b>\$ (246,353)</b>	<b>\$ (1,095)</b>	<b>\$ (247,448)</b>	

(1) For the year ended December 31, 2023, we have recognized \$10.1 million, representing the recurring cash compensation earned by non-controlling interest shareholders post-DPLTA partially offset by a \$3.2 million net loss attributable to non-controlling interests pre-DPLTA for the year ended December 31, 2023.

The following tables reflect the impact of the restatement to the specific line items presented in the Company's previously reported Consolidated Statement of Changes in Stockholders Equity for the periods ended December 31, 2024 and 2023:

(In thousands)	Retained Deficit			Accumulated Other Comprehensive Income			Additional paid-in capital		
	As		As	As		As	As		As
	Reported	Adjustment	Restated	Reported	Adjustment	Restated	Reported	Adjustment	Restated
<b>Balance as of December 31, 2023</b>	<b>\$ (243,908)</b>	<b>\$ 12,202</b>	<b>\$ (231,706)</b>	<b>\$ 47,461</b>	<b>\$ 69</b>	<b>\$ 47,530</b>	<b>\$ 795,304</b>	<b>\$ (836)</b>	<b>\$ 794,468</b>
Net loss	(441,048)	(9,019)	(450,067)	—	—	—	—	—	—
Annual recurring compensation earned	(9,824)	—	(9,824)	—	—	—	—	—	—
Remeasurement of redeemable non-controlling interest	—	—	—	—	—	—	(1,175)	—	(1,175)
Other comprehensive loss, net of tax	—	—	—	(36,568)	292	(36,276)	—	—	—
Deferred compensation adjustments, net of tax	—	—	—	—	—	—	(368)	—	(368)
ADTRAN RSUs and restricted stock vested	(1,026)	—	(1,026)	—	—	—	—	—	—
ADTRAN stock options exercised	824	—	824	—	—	—	—	—	—
Modification of Stock Options	—	—	—	—	—	—	(190)	—	(190)
Redemption of redeemable non-controlling interest	2,986	—	2,986	—	—	—	—	—	—
ADTRAN stock-based compensation expense	—	—	—	—	—	—	14,825	—	14,825
Adtran Networks stock-based compensation expense	—	—	—	—	—	—	517	836	1,353
<b>Balance as of December 31, 2024</b>	<b><u>\$ (691,996)</u></b>	<b><u>\$ 3,183</u></b>	<b><u>\$ (688,813)</u></b>	<b><u>\$ 10,893</u></b>	<b><u>\$ 361</u></b>	<b><u>\$ 11,254</u></b>	<b><u>\$ 808,913</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 808,913</u></b>

(In thousands)	Retained Deficit			Accumulated Other Comprehensive Income			Additional paid-in capital		
	As		As	As		As	As		As
	Reported	Adjustment	Restated	Reported	Adjustment	Restated	Reported	Adjustment	Restated
<b>Balance as of December 31, 2022</b>	<b>\$ 55,338</b>	<b>\$ —</b>	<b>\$ 55,338</b>	<b>\$ 26,126</b>	<b>\$ —</b>	<b>\$ 26,126</b>	<b>\$ 895,834</b>	<b>\$ —</b>	<b>\$ 895,834</b>
Net loss	(256,164)	(2,563)	(258,727)	—	—	—	—	—	—
Annual recurring compensation earned	(11,524)	1,399	(10,125)	—	—	—	—	—	—
Acquisition of Adtran Networks	—	3,762	3,762	—	—	—	—	—	—
Reclassification and remeasurement from equity to mezzanine equity for non-controlling interests in Adtran Networks	—	—	—	—	—	—	(116,895)	—	(116,895)
Mezzanine equity for non-controlling interest in Adtran Networks for Adtran Networks stock options exercised	—	—	—	—	—	—	—	(1,175)	(1,175)
Other comprehensive income, net of tax	—	—	—	21,335	69	21,404	—	—	—
Dividend payments (\$0.09 per share)	(21,237)	—	(21,237)	—	—	—	—	—	—
Dividends accrued on unvested restricted stock units	8	—	8	—	—	—	—	—	—
Deferred compensation adjustments, net of tax	(145)	—	(145)	—	—	—	—	—	—
ADTRAN RSUs and restricted stock vested	(1,115)	—	(1,115)	—	—	—	—	—	—
ADTRAN stock options exercised	164	—	164	—	—	—	—	—	—
Redemption of redeemable non-controlling interest	371	—	371	—	—	—	—	—	—
Foreign currency remeasurement of redeemable non-controlling interest	(9,604)	9,604	—	—	—	—	—	—	—
Adtran Networks stock options exercised	—	—	—	—	—	—	323	—	323
Modification of stock options	—	—	—	—	—	—	—	339	339
ADTRAN stock-based compensation expense	—	—	—	—	—	—	16,016	—	16,016
Adtran Networks stock-based compensation expense	—	—	—	—	—	—	26	—	26
<b>Balance as of December 31, 2023</b>	<b><u>\$ (243,908)</u></b>	<b><u>\$ 12,202</u></b>	<b><u>\$ (231,706)</u></b>	<b><u>\$ 47,461</u></b>	<b><u>\$ 69</u></b>	<b><u>\$ 47,530</u></b>	<b><u>\$ 795,304</u></b>	<b><u>\$ (836)</u></b>	<b><u>\$ 794,468</u></b>

The following tables reflect the impact of the restatement to the specific line items presented in the Company's previously reported Consolidated Statements of Cash Flows for the years ended December 31, 2024 and 2023:

		Year Ended December 31, 2024		
	Adj Reference	As Reported	Adjustment	As Restated
<b>Cash flows from operating activities:</b>				
Net Loss		\$ (441,048)	\$ (9,019)	\$ (450,067)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization		90,985	(456)	90,529
Goodwill impairment	ADJ 4	292,583	4,770	297,353
Amortization of debt issuance cost		3,950	—	3,950
Gain on investments		(5,030)	—	(5,030)
Net loss on disposal of property, plant and equipment		1,371	—	1,371
Stock-based compensation expense		15,342	646	15,988
Deferred income taxes		2,247	3,329	5,576
Inventory write down - business efficiency program		4,135	—	4,135
Inventory reserves	ADJ 3	3,980	1,336	5,316
Change in operating assets and liabilities:				
Accounts receivable, net		46,108	—	46,108
Other receivables		10,713	—	10,713
Income taxes receivable	ADJ 4	648	—	648
Inventory	ADJ 3	75,171	4,814	79,985
Prepaid expenses, other current assets and other assets		(10,718)	(2,727)	(13,445)
Accounts payable		11,784	(1,546)	10,238
Accrued expenses and other liabilities		5,519	(646)	4,873
Income taxes payable		(4,670)	—	(4,670)
<b>Net cash provided by operating activities</b>		<b>103,070</b>	<b>501</b>	<b>103,571</b>
<b>Cash flows from investing activities:</b>				
Purchases of property, plant and equipment		(32,454)	(2,047)	(34,501)
Purchases of intangibles - developed technology		(30,671)	—	(30,671)
Proceeds from sales and maturities of available-for-sale investments		1,240	—	1,240
Purchases of available-for-sale investments		(268)	—	(268)
Payments for beneficial interests in securitized accounts receivable		(55)	—	(55)
<b>Net cash used in investing activities</b>		<b>(62,208)</b>	<b>(2,047)</b>	<b>(64,255)</b>
<b>Cash flows from financing activities:</b>				
Tax withholdings related to stock-based compensation settlements		(1,143)	—	(1,143)
Proceeds from stock option exercises		824	—	824
Proceeds from receivables purchase agreement		68,556	—	68,556
Repayments on receivables purchase agreement		(83,772)	—	(83,772)
Proceeds from draw on revolving credit agreements		26,000	—	26,000
Repayment of revolving credit agreements		(31,000)	—	(31,000)
Redemption of redeemable non-controlling interest		(17,398)	—	(17,398)
Payment of annual recurring compensation to non-controlling interest		(10,084)	—	(10,084)
Payment of debt issuance cost		(1,994)	—	(1,994)
<b>Net cash used in financing activities</b>		<b>(50,011)</b>	<b>—</b>	<b>(50,011)</b>
Net decrease in cash and cash equivalents		(9,149)	(1,546)	(10,695)
Effect of exchange rate changes		(451)	—	(451)
<b>Cash and cash equivalents, beginning of period</b>		<b>87,167</b>	<b>—</b>	<b>87,167</b>
<b>Cash and cash equivalents, end of period</b>		<b>\$ 77,567</b>	<b>\$ (1,546)</b>	<b>\$ 76,021</b>
Supplemental disclosure of cash flow information:				
Cash paid for interest		\$ 20,884	\$ —	\$ 20,884
Cash paid for income taxes, net of refunds		\$ 6,691	\$ —	\$ 6,691
Cash used in operating activities related to operating leases		\$ 9,274	\$ —	\$ 9,274
Supplemental disclosure of non-cash investing activities:				
Right-of-use assets obtained in exchange for lease obligations		\$ 5,317	\$ —	\$ 5,317
Purchases of property, plant and equipment included in accounts payable		\$ 2,635	\$ —	\$ 2,635
Redemption of redeemable non-controlling interest		\$ 2,986	\$ —	\$ 2,986



		Year Ended December 31, 2023		
	Adj Reference	As Reported	Adjustment	As Restated
<b>Cash flows from operating activities:</b>				
Net Loss		\$ (259,343)	\$ (2,563)	\$ (261,906)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Depreciation and amortization		112,949	—	112,949
Goodwill impairment		37,874	—	37,874
Amortization of debt issuance cost		862	—	862
Accretion on available-for-sale investments, net		(22)	—	(22)
Gain on investments		(2,900)	—	(2,900)
Net loss on disposal of property, plant and equipment		458	—	458
Stock-based compensation expense		16,016	365	16,381
Deferred income taxes	ADJ 4	15,558	166	15,724
Inventory write down		24,313	—	24,313
Inventory reserves		25,546	—	25,546
Other, net		(2,942)	—	(2,942)
Change in operating assets and liabilities:				
Accounts receivable, net		65,612	6,708	72,320
Other receivables		10,315	—	10,315
Income taxes receivable		(2,637)	4,735	2,098
Inventory	ADJ 3	20,537	1,871	22,408
Prepaid expenses, other current assets and other assets		(29,883)	(2,081)	(31,964)
Accounts payable		(91,907)	—	(91,907)
Accrued expenses and other liabilities		17,929	(6,612)	11,317
Income taxes payable		(3,939)	—	(3,939)
<b>Net cash (used in) provided by operating activities</b>		<b>(45,604)</b>	<b>2,589</b>	<b>(43,015)</b>
<b>Cash flows from investing activities:</b>				
Purchases of property, plant and equipment		(33,683)	(2,654)	(36,337)
Purchases of intangibles - developed technology		(9,438)	—	(9,438)
Proceeds from sales and maturities of available-for-sale investments		10,567	—	10,567
Purchases of available-for-sale investments		(868)	—	(868)
Proceeds from beneficial interests in securitized accounts receivable		1,218	—	1,218
<b>Net cash used in investing activities</b>		<b>(32,204)</b>	<b>(2,654)</b>	<b>(34,858)</b>
<b>Cash flows from financing activities:</b>				
Tax withholdings related to stock-based compensation settlements		(6,458)	—	(6,458)
Proceeds from stock option exercises		540	—	540
Dividend payments		(21,237)	—	(21,237)
Proceeds from receivables purchase agreement		14,099	—	14,099
Proceeds from draw on revolving credit agreements		163,733	—	163,733
Repayment of revolving credit agreements		(64,987)	—	(64,987)
Redemption of redeemable non-controlling interest		(1,224)	—	(1,224)
Payment of debt issuance cost		(708)	—	(708)
Repayment of notes payable		(24,891)	—	(24,891)
<b>Net cash provided by financing activities</b>		<b>58,867</b>	<b>—</b>	<b>58,867</b>
Net decrease in cash and cash equivalents		(18,941)	(65)	(19,006)
Effect of exchange rate changes		(2,536)	65	(2,471)
<b>Cash, cash equivalents and restricted cash, beginning of year</b>		<b>108,644</b>	<b>—</b>	<b>108,644</b>
<b>Cash, cash equivalents and restricted cash, end of year</b>		<b>\$ 87,167</b>	<b>\$ —</b>	<b>\$ 87,167</b>
Supplemental disclosure of cash financing activities				
Cash paid for interest		\$ 12,596	\$ —	\$ 12,596
Cash paid for income taxes, net of refunds		\$ 18,552	\$ —	\$ 18,552
Cash used in operating activities related to operating leases		\$ 9,682	\$ —	\$ 9,682
Supplemental disclosure of non-cash investing activities:				
Right-of-use assets obtained in exchange for lease obligations		\$ 17,865	\$ —	\$ 17,865
Purchases of property, plant and equipment included in accounts payable		\$ 1,298	\$ —	\$ 1,298
Redemption of redeemable non-controlling interest		\$ 371	\$ —	\$ 371

## **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Significant estimates include allowance for credit losses on accounts receivable and contract assets, excess and obsolete inventory reserves, warranty reserves, customer rebates, determination and accrual of the deferred revenue related to performance obligations under contracts with customers, estimated costs to complete obligations associated with deferred and accrued revenue and network installations, estimated income tax provision and income tax contingencies, fair value of stock-based compensation, assessment of goodwill and other intangibles for impairment, estimated lives of intangible assets, estimates of intangible assets upon measurement, estimated pension liability and fair value of investments and estimated contingent liabilities. Actual amounts could differ significantly from these estimates.

We assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to us and the unknown future impacts of ongoing inflationary pressures, continued elevated interest rates, instability in the financial services industry, currency fluctuations and political tensions as of December 31, 2024, and through the date of this report. These conditions could result in further impacts to the Company's consolidated financial statements in future reporting periods. The accounting matters assessed included, but were not limited to, the allowance for credit losses, stock-based compensation, carrying value of goodwill, intangibles and other long-lived assets, financial assets, valuation allowances for tax assets, revenue recognition and costs of revenue.

## **Summary of Significant Accounting Policies**

### **Cash and Cash Equivalents**

Cash and cash equivalents represent demand deposits, money market funds and short-term investments classified as available-for-sale with original maturities of three months or less. We maintain depository investments with certain financial institutions. As of December 31, 2024 \$72.4 million of our cash and cash equivalents, primarily certain domestic money market funds and foreign depository accounts, were in excess of government provided insured depository limits. Although these depository investments may exceed government insured depository limits, we have evaluated the credit worthiness of these applicable financial institutions and determined the risk of material financial loss due to the exposure of such credit risk to be minimal.

### **Fair Value of Financial Instruments**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models may be applied. Assets and liabilities recorded at fair value in our consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values.

The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the immediate or short-term maturity of these financial instruments.

The fair value measurements of our derivative instruments are determined using models that maximize the use of the observable market inputs including interest rate curves and both forward and spot prices for currencies, and are classified as Level II under the fair value hierarchy. The fair values of our derivatives are included in Note 10.

Investments with contractual maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. Despite the long-term nature of their stated contractual maturities, we routinely buy and sell these securities and we believe we have the ability to quickly sell them to the remarketing agent, tender agent or issuer at par value plus accrued interest in the event we decide to liquidate our investment in a particular variable rate demand note. All income generated from these investments is recorded as interest income. We have not recorded any losses relating to variable rate demand notes.

Long-term investments is comprised of our deferred compensation plan assets, marketable equity securities and other equity investments. Marketable equity securities are reported at fair value as determined by the most recently traded price of the securities at the balance sheet date, although the securities may not be readily marketable due to the size of the available market. Any changes in fair value are recognized in net investment gain (loss). Realized gains and losses on sales of debt securities are computed under the specific identification method and are included in other income, net. *See Note 4 for additional information.*

### **Accounts Receivable**

The Company records accounts receivable at amortized cost. Prior to establishing payment terms for a new customer, we evaluate the credit risk of the customer. Credit limits and payment terms established for new customers are re-evaluated periodically based on customer collection experience and other financial factors. As of December 31, 2024, no customer comprised more than 10% of our total accounts receivable balance. As of December 31, 2023, a single customer comprised more than 10% of our total accounts receivable balance, which accounted for 12.2% of our total accounts receivable.

The Company regularly reviews the need for an allowance for credit losses related to our outstanding accounts receivable balances using the historical loss-rate method, as well as assessing asset-specific risks. The assessment of asset-specific risks included the evaluation

of relevant available information, from internal and external sources, relating to current conditions that may affect a customer's ability to pay, such as the customer's current financial condition or credit rating by geographic location, as provided by a third party and/or by customer, if needed, and overall macro-economic conditions in which the customer operates. Based on this assessment, an allowance for credit losses would be recorded if the Company determined that, based on our historical write-offs, which have been immaterial, and such asset specific risks, there was risk in collectability of the full amount of any accounts receivable.

### **Accounts Receivable Factoring**

#### *Receivables Purchase Agreement*

On July 1, 2024, the Company entered into a receivables purchase agreement (the "Factoring Agreement") with a third-party financial institution (the "Factor"), which accelerates receivable collection and helps to better manage cash flow. These transactions are accounted for in accordance with ASC Topic 860 and result in a reduction in accounts receivable because the Factoring Agreement transfers effective control over, and risk related to the receivables to the buyers. Trade accounts receivables balances sold are removed from the Consolidated Balance Sheets and cash received is reflected as cash flows provided by (used in) operating activities in the Consolidated Statements of Cash Flow. Factoring related interest expense is recorded to interest expense on the Consolidated Statements of Loss. On each sale date, the Factor retains from the sale price a default reserve, up to a required balance, which is held by the Factor in a reserve account and pledged to the Company. The Factor is entitled to withdraw from the reserve account the sale price of a defaulted receivable. The balance in the reserve account is included in other assets on the Consolidated Balance Sheets.

#### *Previous Receivables Purchase Agreement*

On December 19, 2023, the Company entered into a factoring agreement with a third-party financial institution to sell, on a revolving basis, undivided interests in the Company's accounts receivable. The factoring agreement qualified for treatment as a secured borrowing with a pledge of collateral under Accounting Standards Codification ("ASC") Topic 810, Consolidations, as the Company was considered the primary beneficiary in a variable interest entity created to hold the factored receivables and the Company retained a residual claim on reserves related to the factored receivables. The receivables factored were carried in accounts receivable, less allowance for credit losses on the Consolidated Balance Sheets, the secured borrowings were carried on the Company's Consolidated Balance Sheets as a current liability, in accounts payable, proceeds and repayments of the secured borrowings are reflected as cash flows (used in) provided by financing activities in the Consolidated Statements of Cash Flows and program fees are recorded in interest expense in the Company's Consolidated Statements of Loss. The short-term liability classification of the secured borrowings was based on the estimated timing of the collection of the accounts receivable which were expected to be received within 12 months. The receivables purchase agreement was terminated on July 1, 2024 and there were no secured borrowings under this agreement as of December 31, 2024. *See Note 2 for additional information.*

### **Inventory**

Inventory is carried at the lower of cost and estimated net realizable value, with cost being determined using the first-in, first-out method. Standard costs for material, labor and manufacturing overhead are used to value inventory and are updated at least quarterly. We establish reserves for estimated excess and obsolete inventory equal to the difference between the cost of the inventory and the estimated net realizable value of the inventory based on estimated reserve percentages, which consider historical usage, known trends, inventory age and market conditions. When we dispose of excess and obsolete inventories, the related disposals are charged against the inventory reserve. *See Note 5 for additional information.*

### **Property, Plant and Equipment**

Property, plant and equipment, which is stated at cost, is depreciated using the straight-line method over the estimated useful lives of the assets. We depreciate building and land improvements from 5 to 39 years, office machinery and equipment from three to seven years, engineering machinery and equipment from three to seven years, and computer software from three to five years. Expenditures for repairs and maintenance are charged to expense as incurred. Major improvements that materially prolong the lives of the assets are capitalized. Gains and losses on the disposal of property, plant and equipment are recorded in operating loss. *See Note 6 for additional information.*

### **Assets Held for Sale**

An asset is considered to be held for sale when all the following criteria are met: (i) management commits to a plan to sell the asset; (ii) the asset is available for immediate sale in its present condition; (iii) actions required to complete the sale of the asset have been initiated; (iv) sale of the asset is probable and the completed sale is expected to occur within one year; (v) it is unlikely that the disposal plan will be significantly modified; and (vi) the asset is actively being marketed for sale at a price that is reasonable given its current market value.

The Company records assets held for sale at the lower of their carrying value or fair value. The total carrying value of assets held for sale was \$11.9 million as of December 31, 2024 and is separately recorded on the balance sheet.

### **Intangible Assets**

Purchased intangible assets with finite lives are carried at cost less accumulated amortization. Amortization is recorded over the estimated useful lives of the respective assets. *See Note 9 for additional information.*

## **Impairment of Long-Lived Assets and Intangibles**

Long-lived assets, such as property, plant and equipment, right of use lease assets and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset or asset group.

During the first quarter of 2024, factors triggered a quantitative impairment assessment for the Network Solutions asset group. The long-lived assets associated with the Network Solutions asset group was approximately \$361.5 million as of December 31, 2024

There were no impairment losses for long-lived assets and intangible assets during the years ended December 31, 2024, 2023 and 2022. *See Note 9 for additional information.*

## **Goodwill**

Goodwill represents the excess purchase price over the fair value of net assets acquired. The Company's annual impairment assessment is done at the reporting unit level, which we determined are generally the same as our operating segments, which are identified in Note 16 to the Consolidated Financial Statements. We review goodwill for impairment annually during the fourth quarter and also test for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of our reporting units below their carrying amount. Such events and circumstances may include among others: a significant adverse change in legal factors or in the general business climate; significant decline in our stock price and market capitalization; unanticipated competition; the testing for recoverability of a significant asset within the reporting unit; and an adverse action or assessment by a regulator. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on our consolidated financial statements.

The Company's annual impairment test date is October 1, 2024. Based on our analysis, management concluded that there was no impairment of goodwill as of that date. Between the annual impairment date of October 1, 2024 and year-end December 31, 2024, there were no additional triggering events.

The Company recognized impairments of \$297.4 million and \$37.9 million during the years ended December 31, 2024 and 2023, respectively. No goodwill impairment charge was recorded during the year ended December 31, 2022. *See Note 8 for additional information.*

## **Other Non-Current Assets**

Implementation costs incurred for hosting arrangements that are related to service contracts are capitalized and amortized over the term of the arrangement. Capitalized implementation costs totaled \$0.1 million and \$0.3 million as of December 31, 2024 and 2023, respectively, and are included in other non-current assets on the Consolidated Balance Sheets. In connection with the planned integration of information technology following the Business Combination, we determined that certain projects no longer fit our needs. The Company recognized impairment charges of \$16.9 million during the year ended December 31, 2022 primarily related to capitalized implementation costs for a cloud computing arrangement. The impairment charges were determined based on actual costs incurred. During the year ended December 31, 2024 and 2023, no impairment charges were recognized. We depreciate capitalized implementation costs over various lives. Amortization expense was \$0.1 million, \$5.9 million and \$3.9 million for the years ended December 31, 2024, 2023 and 2022, respectively, which is recorded almost entirely in selling, general and administrative expenses in the Consolidated Statements of Loss.

## **Pension Benefit Plan Obligations**

The Company maintains a defined benefit pension plans covering employees in certain foreign countries. Pension benefit plan obligations are based on various assumptions used by our actuaries in calculating these amounts. These assumptions include discount rates, compensation rate increases, expected return on plan assets, retirement rates and mortality rates. Actual results that differ from the assumptions and changes in assumptions could affect future expenses and obligations. *See Note 13 for additional information.*

## **Lease Obligations**

The Company has operating leases for office space, automobiles and various other equipment in the U.S. and in certain international locations. Other contracts, such as manufacturing agreements and service agreements, are reviewed to determine if they contain potential embedded leases. These other contracts are specifically reviewed to determine whether we have the right to substantially all of the economic benefit from the use of any specified assets or the right to direct the use of any specified assets, either of which would indicate the existence of a lease. Some of our leases include options to renew. For those leases that are reasonably assured to be renewed, we have included the option to extend as part of our right of use asset and lease liability. The exercise of lease renewal options is at our sole discretion. The depreciable life of leased assets and leasehold improvements are limited by the expected lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet and lease expense for these leases is recognized on a straight-line basis over the lease term. For lease agreements entered into or reassessed after the adoption of Topic 842, we elected to not separate lease and non-lease components. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

## Stock-Based Compensation

The Company has two stock incentive plans from which stock options, performance stock units (“PSUs”), restricted stock units (“RSUs”) and restricted stock are available for grant to employees and directors. Costs related to these awards are recognized over their vesting periods.

Stock-based compensation expense recognized for the years ended December 31, 2024, 2023 and 2022 was approximately \$16.0 million, \$16.4 million and \$28.3 million, respectively. *See Note 3 for additional information.*

## Research and Development Costs

Research and development costs include compensation for engineers and support personnel, contracted services, depreciation and material costs associated with new product development, enhancement of current products and product cost reductions. We continually evaluate new product opportunities and engage in intensive research for product and software development efforts. Research and development costs totaled \$221.5 million, \$258.3 million and \$173.8 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Adtran Networks has arrangements with governmental entities for the purposes of obtaining funding for research and development activities. The Company classifies government grants received under these arrangements as a reduction to research and development expense incurred. For the years ended December 31, 2024, 2023 and 2022, the Company recognized \$9.2 million, \$5.2 million and \$1.1 million, respectively, as a reduction of research and development expense.

## Income Taxes

The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from the difference between financial and tax basis of our assets and liabilities and are adjusted for changes in tax rates and tax laws when such changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

In determining whether an uncertain tax position exists, the Company determines, based solely on its technical merits, whether the tax position is more likely than not to be sustained upon examination, and if so, a tax benefit is measured on a cumulative probability basis that is more likely than not to be realized upon the ultimate settlement. The Company recognizes interest and penalties related to unrecognized tax benefits through interest expense and income tax expense, respectively.

## Foreign Currency

Transactions with customers that are denominated in foreign currencies are recorded using the appropriate exchange rates from throughout the year. Assets and liabilities denominated in foreign currencies are remeasured at the balance sheet dates using the closing rates of exchange between those foreign currencies and the functional currency with any transaction gains or losses reported in other income, net. Our primary exposures to foreign currency exchange rate movements are with our German and United Kingdom subsidiaries, whose functional currencies are the euro and the British pound sterling. Adjustments resulting from translating financial statements of international subsidiaries are recorded as a component of accumulated other comprehensive income.

## Revenue

Revenue is measured based on the consideration expected to be received in exchange for transferring goods or providing services to a customer and as performance obligations under the terms of the contract are satisfied. Generally, this occurs with the transfer of control of a product to the customer. For transactions where there are multiple performance obligations, individual products and services are accounted for separately if they are distinct (if a product or service is separately identifiable from other items and if a customer can benefit from it on its own or with other resources that are readily available to the customer). The consideration, including any discounts, is allocated between separate products and services based on their stand-alone selling prices. Stand-alone selling prices are determined based on the prices at which the separate products and services are sold and are allocated based on each item’s relative value to the total value of the products and services in the arrangement. For items that are not sold separately, we estimate stand-alone selling prices primarily using the “expected cost plus a margin” approach. Payment terms are generally 30 days in the U.S. and typically longer in many geographic markets outside the U.S. Shipping fees collected are recorded as revenue and the related cost is included in cost of revenue. Revenue, value-added and other taxes collected concurrently with revenue-producing activities are excluded from revenue. Incremental costs of obtaining a contract, that are recoverable, are capitalized and amortized over the period that the related revenue is recognized if greater than one year. We have elected to account for shipping fees paid as a cost of fulfilling the related contract. We have also elected to apply the practical expedient related to the incremental costs of obtaining contracts and recognize those costs as an expense when incurred if the amortization period of the assets is one year or less. These costs are included in selling, general and administrative expenses. Capitalized costs with an amortization period greater than one year were immaterial.

Revenue is generated by two reportable segments: Network Solutions and Services & Support.

**Network Solutions Segment** - Includes hardware products and software defined next-generation virtualized solutions used in Service Provider or business networks, as well as prior generation products. The majority of the revenue from this segment is from hardware revenue.

### *Hardware and Software Revenue*

Revenue from hardware sales is recognized when control is transferred to the customer, which is generally when the products are shipped. Shipping terms are generally FOB shipping point. Revenue from software license sales is recognized at delivery and transfer of control to the customer. Revenue is recognized net of estimated discounts and rebates using historical trends. Customers are typically invoiced when control is transferred and revenue is recognized. Our products generally include assurance-based warranties of 90 days to five years for product defects, which are accrued at the time products are delivered.

**Services & Support Segment** - Includes a complete portfolio of maintenance, network implementation and solutions integration and managed services, which include hosted cloud services and subscription services to complement our Network Solutions segment.

### *Maintenance Revenue*

Our maintenance service periods range from one month to five years. Customers are typically invoiced and pay for maintenance services at the beginning of the maintenance period. We recognize revenue for maintenance services on a straight-line basis over the maintenance period as our customers benefit evenly throughout the contract term and deferred revenue, when applicable, are recorded in current and non-current unearned revenue.

### *Network Implementation Revenue*

The Company recognizes revenue for network implementation, which primarily consists of engineering, execution and enablement services at a point in time when each performance obligation is complete. If we have recognized revenue but have not billed the customer, the right to consideration is recognized as a contract asset that is included in other receivables on the Consolidated Balance Sheet. The contract asset is transferred to accounts receivable when the completed performance obligation is invoiced to the customer.

*See Notes 2 and 16 for additional information on reportable segments.*

### **Unearned Revenue**

Unearned revenue primarily represents customer billings on maintenance service programs and unearned revenue related to multiple element contracts where we still have contractual obligations to our customers. We currently offer maintenance contracts ranging from one month to five years. Revenue attributable to maintenance contracts is recognized on a straight-line basis over the related contract term. In addition, we provide software maintenance and a variety of hardware maintenance services to customers under contracts with terms up to ten years. When we defer revenue related to multiple performance obligations where we still have contractual obligations, we also defer the related costs. Current deferred costs are included in prepaid expenses and other current assets on the accompanying Consolidated Balance Sheets and totaled \$2.2 million and \$2.1 million as of December 31, 2024 and 2023, respectively. Non-current deferred costs included in other non-current assets on the accompanying Consolidated Balance Sheets were less than \$0.1 million as of December 31, 2024 and December 31, 2023.

### **Redeemable Non-Controlling Interest**

As of December 31, 2024 and 2023, the non-controlling Adtran Networks stockholders' equity ownership percentage in Adtran Networks was approximately 33.0% and 34.7%, respectively.

As a result of the effectiveness of the DPLTA on January 16, 2023, the Adtran Networks shares, representing the equity interest in Adtran Networks held by holders other than the Company, can be tendered at any time and are, therefore, redeemable and must be classified outside stockholders' equity. Therefore, the permanent equity noncontrolling interest balance was reclassified to redeemable non-controlling interest (RNCI) on January 16, 2023 and was remeasured to fair value based on the trading market price of the Adtran Networks shares.

Subsequently, the carrying value of the RNCI is adjusted to its maximum redemption value at each reporting date when the maximum redemption value is greater than the initial carrying amount of the RNCI. For the period of time that the DPLTA is in effect, the RNCI will continue to be presented as RNCI outside of stockholders' equity in the Consolidated Balance Sheets. *See Note 15 for additional information on RNCI.*

### **Loss per Share**

Loss per common share and loss per common share assuming dilution are based on the weighted average number of common shares and, when dilutive, common equivalent shares outstanding during the year. *See Note 19 for additional information.*

Loss per common share attributable to ADTRAN Holdings, Inc. - basic and diluted - reflects a \$3.0 million effect of redemption of RNCI for the year ended December 31, 2024. *See Note 19 for additional information.*

### **Recent Accounting Pronouncements Not Yet Adopted**

In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, as amended by ASU 2025-01, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date, which applies to all public business entities and is intended to enhance disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. The amendments are effective prospectively in the first annual period beginning after

December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption and retrospective application are permitted. The Company is currently evaluating the effect that adoption of ASU 2024-03 will have on our disclosures.

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures", which is intended to enhance the transparency, decision usefulness and effectiveness of income tax disclosures. The amendments in this ASU require a public entity to disclose a tabular tax rate reconciliation, using both percentages and currency, with specific categories. A public entity is also required to provide a qualitative description of the states and local jurisdictions that make up the majority of the effect of the state and local income tax category and the net amount of income taxes paid, disaggregated by federal, state and foreign taxes and also disaggregated by individual jurisdictions. The amendments also remove certain disclosures that are no longer considered cost beneficial. The amendments are effective prospectively for annual periods beginning after December 15, 2024, and early adoption and retrospective application are permitted. The Company is currently evaluating the effect that adoption of ASU 2023-09 will have on our disclosures.

### **Recently Adopted Accounting Pronouncements**

In November 2023, the FASB issued ASU 2023-7, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures", which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses, allowing financial statement users to better understand the components of a segment's profit or loss to assess potential future cash flows for each reportable segment and the entity as a whole. The amendments expand a public entity's segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), clarifying when an entity may report one or more additional measures to assess segment performance, requiring enhanced interim disclosures, providing new disclosure requirements for entities with a single reportable segment, and requiring other new disclosures. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024.

The Company adopted the new standard on January 1, 2024. The adoption of this standard resulted in additional footnote disclosures. The adoption of this standard did not have a material impact on our Consolidated Balance Sheet, Consolidated Statement of Income or Consolidated Statement of Cash Flows. *See Note 16 for additional information.*

There have been no other recently adopted accounting pronouncements that are expected to have a material effect on the Consolidated Financial Statements.

### **Reclassification of Prior Year Presentation**

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on reported results of operations. An adjustment has been made to the Consolidated Balance Sheet and Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2023, to reclassify between Property, Plant and Equipment and Intangible Assets.

### **Note 2 - Revenue**

The following is a description of the principal activities from which revenue is generated by reportable segment:

*Network Solutions Segment* - Includes hardware and software products that enable a digital future which support the Company's Subscriber, Access and Aggregation, and Optical Networking Solutions.

*Services & Support Segment* - Includes network design, implementation, maintenance and cloud-hosted services supporting the Company's Subscriber, Access and Aggregation, and Optical Networking Solutions.

#### *Revenue by Category*

In addition to operating under two reportable segments, the Company also reports revenue across three categories – Subscriber Solutions, Access & Aggregation Solutions and Optical Networking Solutions.

Our Subscriber Solutions portfolio is used by Service Providers to terminate their access services infrastructure at the customer premises while providing an immersive and interactive experience for residential, business and wholesale subscribers. This revenue category includes hardware- and software-based products and services. These solutions include fiber termination solutions for residential, business and wholesale subscribers, Wi-Fi access solutions for residential and business subscribers, Ethernet switching and network edge virtualization solutions for business subscribers, and cloud software solutions covering a mix of subscriber types.

Our Access & Aggregation Solutions are solutions that are used by communications Service Providers to connect residential subscribers, business subscribers and mobile radio networks to the Service Providers' metro network, primarily through fiber-based connectivity. This revenue category includes hardware- and software-based products and services. Our solutions within this category are a mix of fiber access and aggregation platforms, precision network synchronization and timing solutions, and access orchestration solutions that ensure highly reliable and efficient network performance.

Our Optical Networking Solutions are used by communications Service Providers, internet content providers and large-scale enterprises to securely interconnect metro and regional networks over fiber. This revenue category includes hardware- and software-based products and services. Our solutions within this category include open optical terminals, open line systems, optical subsystems and modules, network infrastructure assurance systems, and automation platforms that are used to build high-scale, secure and assured optical networks.

The following table disaggregates revenue by reportable segment and revenue category for the year ended December 31, 2024:

<i>(In thousands)</i>	<b>Network Solutions</b>	<b>Services &amp; Support</b>	<b>Total</b>
Subscriber Solutions	\$ 295,541	\$ 35,237	\$ 330,778
Access & Aggregation Solutions	232,934	58,072	291,006
Optical Networking Solutions	210,489	90,447	300,936
<b>Total</b>	<b>\$ 738,964</b>	<b>\$ 183,756</b>	<b>\$ 922,720</b>

The following table disaggregates revenue by reportable segment and revenue category for the year ended December 31, 2023:

<i>(In thousands)</i>	<b>Network Solutions</b>	<b>Services &amp; Support</b>	<b>Total</b>
Subscriber Solutions	\$ 263,192	\$ 34,516	\$ 297,708
Access & Aggregation Solutions	304,074	54,344	358,418
Optical Networking Solutions	407,123	85,851	492,974
<b>Total</b>	<b>\$ 974,389</b>	<b>\$ 174,711</b>	<b>\$ 1,149,100</b>

The following table disaggregates revenue by reportable segment and revenue category for the year ended December 31, 2022:

<i>(In thousands)</i>	<b>Network Solutions</b>	<b>Services &amp; Support</b>	<b>Total</b>
Subscriber Solutions	\$ 364,238	\$ 26,216	\$ 390,454
Access & Aggregation Solutions	326,934	47,068	374,002
Optical Networking Solutions	225,621	35,459	261,080
<b>Total</b>	<b>\$ 916,793</b>	<b>\$ 108,743</b>	<b>\$ 1,025,536</b>

The aggregate amount of transaction price allocated to remaining performance obligations that have not been satisfied as of December 31, 2024 and December 31, 2023 related to contractual maintenance agreements, contractual SaaS and subscription services, and hardware contracts that exceed one year in duration amounted to \$325.7 million and 314.8 million, respectively. As of December 31, 2024, approximately 73.0% is expected to be recognized over the next 12 months, and the remainder recognized thereafter. The majority of the Company's remaining performance obligations as of December 31, 2024, are related to contracts or orders that have an original expected duration of one year or less and are excluded from the transaction price related to these future obligations. The Company will generally satisfy the remaining performance obligations as we transfer control of the products ordered or services to our customers, excluding maintenance services, which are satisfied over time.

The following table provides information about accounts receivable, contract assets and unearned revenue from contracts with customers:

<i>(In thousands)</i>	<b>December 31, 2024 (Restated)</b>	<b>December 31, 2023 (Restated)</b>
Accounts receivable	\$ 178,030	\$ 209,737
Contract assets <sup>(1)</sup>	\$ 631	\$ 691
Unearned revenue	\$ 52,701	\$ 42,500
Non-current unearned revenue	\$ 22,065	\$ 22,632

<sup>(1)</sup> Included in other receivables on the Consolidated Balance Sheets.

#### *Accounts Receivable*

The allowance for credit losses were \$1.3 million and, \$0.4 million as of December 31, 2024, and December 31, 2023, respectively, related to accounts receivable.

#### *Receivables Purchase Agreement*

On July 1, 2024, the Company entered into a receivables purchase agreement (the "Factoring Agreement") with a third-party financial institution (the "Factor"), which accelerates receivable collection and helps to better manage cash flow. Total accounts receivables factored as of the end of December 31 2024, totaled \$18.3 million of which \$3.7 million was retained pursuant to the Factoring Agreement in the reserve account. The Factoring Agreement provides for up to \$40.0 million in factoring capacity, subject to eligible receivables and reserve requirements, secured by the receivables. The balance in the reserve account is included in other assets on the Consolidated Balance Sheets. The cost of the Factoring Agreement is included in interest expense in the Consolidated Statements of Loss and totaled \$0.6 million for the year ended December 31, 2024. Costs of a previous receivables purchase agreement which are included in interest expense in the Consolidated Statements of Loss totaled \$0.9 million for the year ended December 31, 2023.



### *Previous Receivable Purchase Agreement*

On December 19, 2023, the Company entered into a receivables purchase agreement (the "Prior Factoring Agreement") with a third-party financial institution (the "Prior Factoring Agreement") to replace a prior accounts receivable purchase agreement and to sell, on a revolving basis, undivided interests in the Company's accounts receivable. The prior factoring agreement provided for up to \$40.0 million in borrowing capacity, subject to eligible receivables and reserve requirements, secured by the receivables. The prior factoring agreement qualified for treatment as a secured borrowing with a pledge of collateral under Accounting Standards Codification ("ASC") Topic 810, *Consolidations*. The receivables purchase agreement was terminated on July 1, 2024 and there were no secured borrowings under this agreement as of December 31, 2024. Total secured borrowings under the agreement were \$14.3 million as of December 31, 2023, which left \$25.4 million available for future borrowings as of December 31, 2023. Accounts receivable pledged as collateral related to the secured borrowings were \$16.8 million as of December 31, 2023. For the year ended December 31, 2024, the Company incurred program fee expenses of \$0.6 million.

### *Contract Assets*

No allowance for credit losses was recorded for the years ended December 31, 2024 and 2023, respectively, related to contract assets.

### *Unearned Revenue*

Of the outstanding unearned revenue balances as of December 31, 2023, \$50.5 million were recognized as revenue during the year ended December 31, 2024. Of the outstanding unearned revenue balances as of December 31, 2022, \$36.2 million were recognized as revenue during the year ended December 31, 2023.

## **Note 3 – Stock-Based Compensation**

### *2024 Stock Incentive Plans*

At the annual meeting of stockholders held on May 8, 2024, the Company's stockholders approved, upon recommendation of the Board of Directors, the adoption of the ADTRAN Holdings, Inc. 2024 Employee Stock Incentive Plan ("2024 Employee Plan") and the ADTRAN Holdings, Inc. 2024 Directors Stock Plan ("2024 Directors Plan"). No additional awards will be granted under the Company's previous stock incentive plans, including the 2020 Employee Stock Incentive Plan, the 2020 Directors Stock Plan, or the 2015 Employee Stock Incentive Plan. Outstanding awards granted under the Company's prior equity incentive plans will remain subject to the terms of such applicable plans, and shares under such plans that are cancelled or forfeited will be available for issuance under the 2024 Employee Plan or the 2024 Directors Plan, as applicable.

Under the 2024 Employee Plan, the Company is authorized to issue 4.5 million shares of common stock to certain employees, key service providers and advisors through incentive stock options and non-qualified stock options, stock appreciation rights, RSUs and restricted stock, any of which may be subject to performance-based conditions. RSUs and restricted stock granted under the 2024 Employee Plan will typically vest pursuant to a four-year vesting schedule beginning on the first anniversary of the grant date. Stock options granted under the 2024 Employee Plan will typically become exercisable beginning after one year of continued employment, normally pursuant to a four-year vesting schedule beginning on the first anniversary of the grant date and have a ten-year contractual term. Stock options, RSUs and restricted stock granted under the 2024 Employee Plan reduce the shares authorized for issuance under the 2024 Employee Plan by one share of common stock for each share underlying the award. Forfeitures, cancellations and expirations of awards granted under the prior employee stock incentive plans increase the shares authorized for issuance under the 2024 Employee Plan by one share of common stock for each share underlying the award.

Under the 2024 Directors Plan, the Company is authorized to issue 0.6 million shares of common stock through stock options, restricted stock and RSUs to non-employee directors. Stock awards issued under the 2024 Directors Plan typically will become vested in full on the first anniversary of the grant date. Stock options issued under the 2024 Directors Plan will have a ten-year contractual term. Stock options, restricted stock and RSUs granted under the 2024 Directors Plan reduce the shares authorized for issuance under the 2024 Directors Plan by one share of common stock for each share underlying the award. Forfeitures, cancellations and expirations of awards granted under the prior directors stock plan increase the shares authorized for issuance under the 2024 Directors Plan by one share of common stock for each share underlying the award.

As of December 31, 2024, 5.1 million shares were available for issuance pursuant to awards that may be made in the future under stockholder-approved equity plans.

For the years ended December 31, 2024, 2023 and 2022, stock-based compensation expense was \$16.0 million, \$16.4 million and \$28.3 million respectively.

*PSUs, RSUs and Restricted Stock - ADTRAN Holdings, Inc.*

The following table summarizes stock-based compensation expense related to stock options, PSUs, RSUs and restricted stock for the years ended December 31, 2024, 2023 and 2022:

<i>(In thousands)</i>	2024 (Restated)	2023 (Restated)	2022
<b>Stock-based compensation expense included in cost of revenue</b>	<b>\$ 1,142</b>	<b>\$ 1,293</b>	<b>\$ 2,876</b>
Selling, general and administrative expenses	11,058	11,066	20,844
Research and development expenses	3,788	4,022	4,602
<b>Stock-based compensation expense included in operating expenses</b>	<b>14,846</b>	<b>15,088</b>	<b>25,446</b>
<b>Total stock-based compensation expense</b>	<b>15,988</b>	<b>16,381</b>	<b>28,322</b>
Tax benefit for expense associated with non-qualified stock options, PSUs, RSUs and restricted stock	(1,976)	(3,837)	(5,152)
<b>Total stock-based compensation expense, net of tax</b>	<b>\$ 14,012</b>	<b>\$ 12,544</b>	<b>\$ 23,170</b>

*PSUs, RSUs and restricted stock - ADTRAN Holdings, Inc.*

The following table is a summary of our PSUs, RSUs and restricted stock outstanding as of December 31, 2023 and 2024 and the changes that occurred during 2024:

	Number of shares (In thousands)	Weighted Average Grant Date Fair Value (Per Share)
<b>Unvested PSUs, RSUs and restricted stock outstanding, December 31, 2023</b>	<b>1,942</b>	<b>\$ 17.46</b>
PSUs, RSUs and restricted stock granted	1,097	\$ 7.85
PSUs, RSUs and restricted stock vested	(575)	\$ 18.76
PSUs, RSUs and restricted stock forfeited	(129)	\$ 14.20
<b>Unvested PSUs, RSUs and restricted stock outstanding, December 31, 2024</b>	<b>2,335</b>	<b>\$ 13.22</b>

The fair value of PSUs with performance conditions, RSUs and restricted stock is equal to the closing price of the Company's stock on the date of grant. The fair value of PSUs with market conditions is calculated using a Monte Carlo simulation valuation method.

The following table details the significant assumptions that impact the fair value estimate of the market-based PSUs:

	2024	2023	2022
Estimated fair value per share	\$ 8.29	\$ 19.26	\$ 24.01
Expected volatility	51.34%	51.52%	45.77%
Risk-free interest rate	4.12%	3.93%	4.28%
Expected dividend yield	—	2.55%	1.76%

For market-based PSUs, the number of shares of common stock earned by a recipient is subject to a market condition based on Adtran's relative total stockholder return against all companies in the NASDAQ Telecommunications Index at the end of a three-year performance period. Depending on the relative total stockholder return over the performance period, the recipient may earn from 0% to 150% of the shares underlying the PSUs, with the shares earned distributed upon the vesting. The fair value of the award is based on the market price of our common stock on the date of grant, adjusted for the expected outcome of the impact of market conditions using a Monte Carlo Simulation valuation method. A portion of the granted PSUs vests and the underlying shares become deliverable upon the death or disability of the recipient or upon a change of control of Adtran, as defined by the 2020 Employee Plan. The recipients of the PSUs receive dividend credits based on the shares of common stock underlying the PSUs. The dividend credits vest and are earned in the same manner as the PSUs and are paid in cash upon the issuance of common stock for the PSUs.

During the year ended December 31, 2024, and 2023, the Company granted 0.1 and 0.9 million performance-based PSUs to its executive officers and certain employees, respectively. The grant-date fair value of these performance-based awards was based on the closing price of the Company's stock on the date of grant. These awards vest over either a two or three-year period, subject to the grantee's continued employment, with the ability to earn shares in a range of 0% to either 100% or 150% of the awarded number of PSUs based on the achievement of defined performance targets. Equity-based compensation expense and liabilities with respect to these awards may be adjusted over the vesting period to reflect the probability of achievement of performance targets defined in the award agreements.

During each of the years ended December 2023 and 2022, the Company granted 0.9 and 0.3 million performance-based PSUs to its executive officers and certain employees. The grant-date fair value of these performance-based awards was based on the closing price of the Company's stock on the date of grant. These awards vested over one-year and two-year periods, respectively, subject to the grantee's continued employment, with the ability to earn shares in a range of 0% to 142.8% of the awarded number of PSUs based on the achievement of defined performance targets. Equity-based compensation expense with respect to these awards may be adjusted over the vesting period to reflect the probability of achievement of performance targets defined in the award agreements. Pursuant to the Business Combination, the unearned performance-based PSUs converted to time-based RSUs which were treated as an award modification during the third quarter of 2022. This resulted in incremental compensation expense totaling \$17.8 million being recognized during the twelve months ended December 31, 2022. These awards were fully vested as of December 31, 2022.

Pursuant to the Business Combination, 0.3 million shares of market-based PSU awards converted to time-based RSU awards which were treated as an award modification during the third quarter of 2022. Given that the fair value of these awards after the modification was less than the fair value of the awards immediately before the modification, no incremental compensation expense was recognized. The Company continued to recognize compensation expense based on the award's original grant date fair value.

The fair value of RSUs and restricted stock is equal to the closing price of our stock on the grant date. RSUs and restricted stock vest ratably over four-year and one-year periods, respectively.

We will continue to assess the assumptions and methodologies used to calculate the estimated fair value of stock-based compensation. If circumstances change, and additional data becomes available over time, we may change our assumptions and methodologies, which may materially impact our fair value determination.

As of December 31, 2024, total unrecognized compensation expense related to the non-vested portion of market-based PSUs, RSUs and restricted stock was approximately \$10.7 million, which is expected to be recognized over an average remaining recognition period of 2.1 years. There was \$10.9 million of unrecognized compensation expense related to unvested 2024 performance-based PSUs, which will be recognized over the remaining requisite service period of 1 years if achievement of the performance obligation becomes probable. Unrecognized compensation expense will be adjusted for actual forfeitures as they occur.

#### *Stock Options - ADTRAN Holdings, Inc.*

The following table is a summary of stock options outstanding as of December 31, 2024 and 2023 and the changes that occurred during 2024:

	Number of Options (In thousands)	Weighted Average Exercise Price (Per share)	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In thousands)
<b>Stock options outstanding, December 31, 2023</b>	<b>3,894</b>	<b>\$ 10.32</b>	<b>5.25</b>	<b>\$ 3,087</b>
Stock options exercised	(139)	\$ 5.93		
Stock options forfeited	(202)	\$ 6.78		
Stock options expired	(609)	\$ 14.69		
<b>Stock options outstanding, December 31, 2024</b>	<b>2,944</b>	<b>\$ 9.86</b>	<b>4.98</b>	<b>\$ 3,762</b>
<b>Stock options exercisable, December 31, 2024</b>	<b>1,465</b>	<b>\$ 8.73</b>	<b>4.18</b>	<b>\$ 1,960</b>

As of December 31, 2024, there was \$3.2 million of unrecognized compensation expense related to stock options which will be recognized over the remaining weighted-average period of 0.9 years. No stock options were granted during 2024.

The determination of the fair value of stock options assumed or granted by Adtran was estimated using the Monte Carlo method and is affected by its stock price, as well as assumptions regarding a number of complex and subjective variables that may have a significant impact on the fair value estimate. The stock option pricing model requires the use of several assumptions that impact the fair value estimate. These variables include, but are not limited to, the volatility of the Company's stock price and employee exercise behaviors.

All of the options were previously issued at exercise prices that approximated fair market value at the date of grant.

The aggregate intrinsic value of stock options represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the quarter and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2024. The amount of aggregate intrinsic value was \$3.8 million as of December 31, 2024, which will change based on the fair market value of the Company's stock. The total pre-tax intrinsic value of options exercised during the years ended December 31, 2024 and 2023 was \$0.3 million and \$0.1 million, respectively.

The following table further describes our stock options outstanding as of December 31, 2024:

Range of Exercise Prices (Per Share)	Options Outstanding			Options Exercisable	
	Options Outstanding at December 31, 2024 (In thousands)	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price (Per Share)	Options Exercisable at December 31, 2024 (In thousands)	Weighted Average Exercise Price
\$5.23 – \$5.23	1,131	8.87	\$ 5.23	550	\$ 5.23
\$5.24 – \$8.58	431	1.85	\$ 7.86	431	\$ 7.86
\$8.59 – \$12.17	696	2.81	\$ 11.57	155	\$ 9.49
\$12.18 – \$15.33	378	1.23	\$ 15.33	329	\$ 15.33
\$15.34 – \$19.08	308	4.37	\$ 19.08	—	\$ —
	<b>2,944</b>			<b>1,465</b>	

The Black-Scholes option pricing model (the “Black-Scholes Model”) is used to determine the estimated fair value of stock option awards on the date of grant. The Black-Scholes Model requires the input of certain assumptions that involve judgment. Because our stock options have characteristics significantly different from those of traded options, and because changes in the input assumptions can materially affect the fair value estimate, existing models may not provide reliable measures of fair value of our stock options. The stock option pricing model requires the use of several assumptions that impact the fair value estimate. These variables include, but are not limited to, the volatility of our stock price and employee exercise behaviors.

The stock option pricing model requires the use of several assumptions that impact the fair value estimate. These variables include, but are not limited to, the volatility of our stock price and employee exercise behaviors.

The weighted-average estimated fair value of stock options granted to employees during the years ended December 31, 2023 was \$2.99 per share with the following weighted-average assumptions:

	2023
Expected volatility	\$ 51.78%
Risk-free interest rate	4.13%
Expected dividend yield	—
Expected life (in years)	5.8%

#### Note 4 – Investments

##### Debt Securities and Other Investments

The Company did not have any debt securities and other investments as of December 31, 2024.

Realized gains and losses on sales of securities are computed under the specific identification method. The following table presents gross realized gains and losses related to our debt securities for the years ended December 31, 2024, 2023 and 2022:

(In thousands)	For the year ended December 31,		
	2024	2023	2022
Gross realized gains on debt securities	\$ —	\$ 9	\$ 17
Gross realized losses on debt securities	—	(355)	(1,211)
<b>Total (loss) gain recognized, net</b>	<b>\$ —</b>	<b>\$ (346)</b>	<b>\$ (1,194)</b>

The Company’s investment policy provides limitations for issuer concentration, which limits, at the time of purchase, the concentration in any one issuer to 5% of the market value of the total investment portfolio. The Company did not purchase any available-for-sale debt with credit deterioration during the years ended December 31, 2024, 2023 and 2022.

##### Marketable Equity Securities

Marketable equity securities consist of publicly traded stock, funds and certain other investments measured at fair value or cost, where appropriate.

Realized and unrealized gains and losses for our marketable equity securities for the year ended December 31, 2024, 2023 and 2022 were as follows:

(In thousands)	For the year ended December 31,		
	2024	2023	2022
Realized gains (losses) on equity securities sold	\$ 277	\$ 17	\$ (1,675)
Unrealized gains (losses) on equity securities held	3,310	3,083	(8,470)
<b>Total gain (loss) recognized, net</b>	<b>\$ 3,587</b>	<b>\$ 3,100</b>	<b>\$ (10,145)</b>

As of December 31, 2024, gross unrealized losses related to individual investments in a continuous loss position for twelve months or longer were not material.

U.S. GAAP establishes a three-level valuation hierarchy based upon observable and unobservable inputs for fair value measurement of financial instruments:

- Level 1 – Observable outputs; values based on unadjusted quoted prices for identical assets or liabilities in an active market;
- Level 2 – Significant inputs that are observable; values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly;
- Level 3 – Significant unobservable inputs; values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement; inputs could include information supplied by investees.

The Company's cash equivalents and investments held at fair value are categorized into this hierarchy as follows:

Fair Value Measurements as of December 31, 2024 Using				
		Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)	Fair Value			
<b>Cash equivalents</b>				
Money market funds	\$ 5,538	\$ 5,538	\$ —	\$ —
<b>Marketable equity securities</b>				
Marketable equity securities - various industries	1,068	1,068	—	—
Deferred compensation plan assets	30,991	30,991	—	—
<b>Total</b>	<b>\$ 37,597</b>	<b>\$ 37,597</b>	<b>\$ —</b>	<b>\$ —</b>

Fair Value Measurements as of December 31, 2023 Using				
		Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)	Fair Value			
<b>Cash equivalents</b>				
Money market funds	\$ 5,302	\$ 5,302	\$ —	\$ —
<b>Marketable equity securities</b>				
Marketable equity securities - various industries	905	905	—	—
Deferred compensation plan assets	26,838	26,838	—	—
<b>Total</b>	<b>\$ 33,045</b>	<b>\$ 33,045</b>	<b>\$ —</b>	<b>\$ —</b>

Market prices are obtained from a variety of industry standard data providers, large financial institutions and other third-party sources. These multiple market prices are used as inputs into a distribution-curve-based algorithm to determine the daily market value of each security.

## Note 5 – Inventory

As of December 31, 2024 and 2023, inventory, net was comprised of the following:

(In thousands)	2024 (Restated)	2023 (Restated)
Raw materials	\$ 106,384	\$ 152,140
Work in process	9,724	17,239
Finished goods	145,449	191,045
<b>Total Inventory, net</b>	<b>\$ 261,557</b>	<b>\$ 360,424</b>

Inventory reserves are established for estimated excess and obsolete inventory equal to the difference between the cost of the inventory and the estimated net realizable value of the inventory based on estimated reserve percentages, which consider historical usage, known trends, inventory age and market conditions.

During the twelve months ended December 31, 2024, the Company recorded an inventory write-down of \$8.6 million, as a result of a strategy shift which included discontinuance of certain product lines in connection with the Business Efficiency Program of which \$4.1 million relates to inventory write-downs and \$4.5 million relates to other charges all of which are included in cost of revenue in the Consolidated Statements of Loss. In connection with the Company's restructuring efforts, during the twelve months ended December 31,

2023, management determined that there would be a discontinuation of product lines in the Network solutions segment and, as a result, wrote-down related inventories of \$24.3 million, which is included in cost of revenue in the Consolidated Statements of Loss.

## Note 6 – Property, Plant and Equipment

As of December 31, 2024 and 2023, property, plant and equipment, net was comprised of the following:

<i>(In thousands)</i>	2024 (Restated)	2023 (Restated)
Engineering and other equipment	\$ 184,694	\$ 183,336
Building	50,871	79,215
Computer hardware and software	113,241	96,327
Building and land improvements	39,979	58,238
Furniture and fixtures	20,994	21,368
Land	2,989	5,242
<b>Total Property, Plant and Equipment</b>	<b>412,768</b>	<b>443,726</b>
Less: accumulated depreciation	(306,314)	(325,569)
<b>Total Property, Plant and Equipment, net</b>	<b>\$ 106,454</b>	<b>\$ 118,157</b>

Long-lived assets used in operations are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and the undiscounted cash flows estimated to be generated by the asset are less than the asset's carrying value. In connection with the planned integration of information technology following the Business Combination, we determined that certain projects no longer fit our needs or strategic plan. As a result, the Company recognized impairment charges of \$0.5 million during the year ended December 31, 2022 related to software and web site development. The impairment charges were determined based on actual costs incurred. During the years ended December 31, 2024 and 2023, no impairment charges were recognized.

Depreciation expense was \$27.7 million, \$30.2 million and \$20.9 million for the years ended December 31, 2024, 2023 and 2022, respectively, which is recorded in cost of revenue, selling, general and administrative expenses and research and development expenses in the Consolidated Statements of Loss.

### Assets Held For Sale

On December 31, 2024, the Company determined it met the held for sale criteria pursuant to ASC 360, "Impairment and Disposal of Long-Live Assets" on the Company's property located at the North and South Towers in its Huntsville, Alabama campus and ceased recording depreciation on the assets. The Company expects to dispose of the property within the next twelve months.

The Company records assets held for sale at the lower of their carrying value or fair value. The total carrying value of assets held for sale was \$11.9 million as of December 31, 2024 and is separately recorded on the balance sheet.

## Note 7 – Leases

We have operating leases for office space, automobiles and various other equipment in the U.S. and in certain international locations. As of December 31, 2024, our operating leases had remaining lease terms of 1 month to 167 months, some of which included options to extend the leases for up to one year, and some of which included options to terminate the leases within three months. Supplemental balance sheet information related to operating leases is as follows:

<i>(In thousands)</i>	Classification	December 31, 2024	December 31, 2023
<b>Assets</b>			
Operating lease assets	Other non-current assets	\$ 30,342	\$ 37,474
<b>Total lease asset</b>		<b>\$ 30,342</b>	<b>\$ 37,474</b>
<b>Liabilities</b>			
Current operating lease liability	Accrued expenses and other liabilities	\$ 7,154	\$ 7,720
Non-current lease obligations	Non-current lease obligations	25,925	31,420
<b>Total lease liability</b>		<b>\$ 33,079</b>	<b>\$ 39,140</b>

Lease expense related to short-term leases was less than \$0.2 million for the twelve months ended December 31, 2024 and \$0.1 million for the twelve months ended December 31, 2023 and 2022, and is included in cost of revenue, selling, general and administrative expenses and research and development expenses in the Consolidated Statements of Loss. Lease expense related to variable lease payments that do not depend on an index or rate, such as real estate taxes and insurance reimbursements, was \$0.3 million, \$0.7 million and \$0.6 million for the twelve months ended December 31, 2024, 2023 and 2022, respectively.



The components of lease expense included in the Consolidated Statements of Loss were as follows:

(In thousands)	For the Year Ended December 31,		
	2024	2023	2022
Cost of revenue	\$ 150	\$ 163	\$ 110
Research and development expenses	412	990	942
Selling, general and administrative expenses	9,213	9,708	3,961
<b>Total operating lease expense</b>	<b>\$ 9,775</b>	<b>\$ 10,861</b>	<b>\$ 5,013</b>

As of December 31, 2024, operating lease liabilities included on the Consolidated Balance Sheet by future maturity were as follows:

(In thousands)	Amount
2025	8,829
2026	7,550
2027	6,498
2028	4,980
2029	2,925
Thereafter	10,281
<b>Total lease payments</b>	<b>41,063</b>
Less: Interest	(7,984)
<b>Present value of lease liabilities</b>	<b>\$ 33,079</b>

Future operating lease payments include \$5.3 million related to options to extend lease terms that are reasonably certain of being exercised. There are no legally binding leases that have not yet commenced.

An incremental borrowing rate is used based on information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is determined on a portfolio basis by grouping leases with similar terms, as well as grouping leases based on a U.S. dollar or euro functional currency. The following table provides information about our weighted average lease terms and weighted average discount rates:

Weighted average remaining lease term (years)	As of December 31,	
	2024	2023
Operating leases with USD functional currency	7.3	8.1
Operating leases with EUR functional currency	5.9	5.8
<b>Weighted average discount rate</b>		
Operating leases with USD functional currency	3.64%	3.70%
Operating leases with EUR functional currency	4.50%	3.92%

## Note 8 – Goodwill

The changes in the carrying amount of goodwill for the year ended December 31, 2024 and December 31, 2023 are as follows:

(In thousands)	Network Solutions (Restated)	Services & Support	Total (Restated)
<b>As of December 31, 2022 (as previously reported)</b>	<b>\$ 298,280</b>	<b>\$ 83,444</b>	<b>\$ 381,724</b>
Correction of goodwill from business combination with Adtran Networks	4,735	—	4,735
<b>As of December 31, 2022 (restated)</b>	<b>\$ 303,015</b>	<b>\$ 83,444</b>	<b>\$ 386,459</b>
Goodwill impairment	—	(37,500)	(37,500)
Correction of a purchase allocation adjustment	(9,662)	9,662	—
Foreign currency translation adjustments	8,413	778	9,191
<b>As of December 31, 2023 (restated)</b>	<b>\$ 301,766</b>	<b>\$ 56,384</b>	<b>\$ 358,150</b>
Goodwill impairment	(295,298)	—	(295,298)
Foreign currency translation adjustments	(6,468)	(3,466)	(9,934)
<b>As of December 31, 2024 (restated)</b>	<b>\$ —</b>	<b>\$ 52,918</b>	<b>\$ 52,918</b>

The Company's annual impairment test date is October 1, 2024. Based on our analysis, management concluded that there was no impairment of goodwill as of that date. Between the annual impairment date of October 1, 2024 and year-end December 31, 2024, there were no additional triggering events.

During the first quarter of 2024, qualitative factors such as a decrease in the Company's market capitalization, lower service provider spending and delayed holding patterns of inventory with respect to customers caused us to reduce our forecasts, triggering a quantitative impairment assessment for our reporting units. The Company determined the fair value of each reporting unit using a combination of an income approach and a market approach. The significant inputs and assumptions used in the determination of the fair value of our reporting units, based on future cash flows for the reporting units, requires significant judgment and the use of estimates and assumptions related to revenue growth rates, earnings before interest, taxes, depreciation and amortization ("EBITDA") margins, discount rate, peer group determination, revenue and EBITDA market multiple. The Company determined upon its quantitative impairment assessment to recognize a \$297.4 million non-cash goodwill impairment charge for the Network Solutions reporting unit. The quantitative impairment analysis indicated there was no impairment of the Services & Support goodwill during the first quarter of 2024.

During 2023, the Company experienced decreased market capitalization and long-term projections. Therefore, an interim impairment test over goodwill was performed as of September 30, 2023. The Company determined the fair value of each reporting unit using a combination of an income approach and a market approach. Management's determination of the fair value of our reporting units, based on future cash flows for the reporting units, requires significant judgment and the use of estimates and assumptions related to cash flow projections, discount rate, peer group determination and market multiple selection. It was determined that the decreases in projected future cash flows, discount rates, overall macroeconomic conditions, as well as the decrease in our market capitalization applied in the valuation, were required to align with market-based assumptions and company-specific risk, which resulted in lower fair values of the Services & Support reporting unit. As a result of the interim assessment, the Company recorded a goodwill impairment charge of \$37.9 million as its estimated fair value was less than its book value on that date. No other goodwill impairment charges were recorded during 2023.

As of December 31, 2024, accumulated goodwill impairment losses in total were \$335.3 million.

#### Note 9 – Intangible Assets

Intangible assets as of December 31, 2024 and 2023, consisted of the following:

(In thousands)	Weighted Average Useful Life (in years)	2024			2023		
		Gross Value	Accumulated Amortization	Net Value	Gross Value	Accumulated Amortization	Net Value
Customer relationships	11.0	\$ 51,165	\$ (18,778)	\$ 32,387	\$ 54,856	\$ (15,943)	\$ 38,913
Backlog	1.7	53,839	(52,258)	1,581	57,391	(52,022)	5,369
Developed technology	7.9	346,923	(99,588)	247,335	339,189	(61,653)	277,536
Licensed technology	9.0	5,900	(4,452)	1,448	5,900	(3,797)	2,103
Licensing agreements	8.5	560	(407)	153	560	(368)	192
Patents	7.3	—	—	—	500	(500)	—
Trade names	3.0	27,851	(25,862)	1,989	29,689	(16,379)	13,310
<b>Total</b>		<b>\$ 486,238</b>	<b>\$ (201,345)</b>	<b>\$ 284,893</b>	<b>\$ 488,085</b>	<b>\$ (150,662)</b>	<b>\$ 337,423</b>

Intangible assets are reviewed for impairment whenever events and circumstances indicate impairment may have occurred. During the first quarter of 2024, qualitative factors such as a decrease in the Company's market capitalization, cautious service provider spending due to economic uncertainty and continued customer inventory adjustments triggered a quantitative reassessment of our estimated future undiscounted cash flows for the Network Solutions asset group. The significant inputs and assumptions used in the determination of the cash flows expected to be generated by the asset group, requires significant judgment and the use of estimates and assumptions related to revenue growth rates, EBITDA margins, peer group determination, and disposition exit multiple. The Company determined that our estimated future undiscounted cash flows exceeded the carrying value of our asset groups. No impairment losses of intangible assets were recorded during the years ended December 31, 2024, 2023 and 2022.

Amortization expense was \$63.0 million, \$82.8 million and \$47.3 million for the years ended December 31, 2024, 2023 and 2022, respectively, and was included in cost of revenue, selling, general and administrative expenses and research and development expenses in the Consolidated Statements of Loss.

As of December 31, 2024, estimated future amortization expense of intangible assets was as follows:

(In thousands)	As of December 31, 2024
2025	\$ 56,268
2026	53,231
2027	47,585
2028	40,374
2029	40,028
Thereafter	47,407
<b>Total</b>	<b>\$ 284,893</b>



## Note 10 - Hedging

The Company has certain forward rate agreements to hedge foreign currency exposure of expected future cash flows in foreign currency. The Company does not hold or issue derivative instruments for trading or other speculative purposes. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. All changes in the fair value of derivative instruments are recognized as other income, net in the Consolidated Statements of Loss. The derivative instruments are not subject to master netting agreements and are not offset in the Consolidated Balance Sheets. We are exposed to risk from credit-related losses resulting from nonperformance by counterparties to our financial instruments. We perform credit evaluations of our counterparties under forward exchange contracts and expect all counterparties to meet their obligations. We have not experienced credit losses from our counterparties.

As of December 31, 2024, the Company had 39 forward rate contracts outstanding.

### Foreign Currency Hedging Agreement

On November 3, 2022, the Company entered into a euro/U.S. dollar forward contract arrangement (the "Initial Forward") with Wells Fargo Bank, N.A. (the "Hedge Counterparty"). The Initial Forward, which was governed by the provisions of an ISDA Master Agreement (including schedules thereto and transaction confirmations that supplement such agreement) entered into between the Company and the Hedge Counterparty, enabling the Company to convert a portion of its euro denominated payment obligations under the proposed DPLTA into U.S. Dollars. Under the Initial Forward, the Company agreed to exchange an aggregate notional amount of €160.0 million for U.S. dollars at a daily fixed forward rate ranging from EUR/USD 0.98286 to 1.03290. The aggregate amount of €160.0 million was divided into eight quarterly tranches of €20.0 million, which commenced in the fourth quarter of 2022. During the twelve months ended December 31, 2024, the Company settled four €20.0 million forward contract tranches.

On March 21, 2023, the Company entered into a euro/U.S. dollar forward contract arrangement (the "Forward") with the Hedge Counterparty. Under the Forward, which was governed by the provisions of an ISDA Master Agreement (including schedules thereto and transaction confirmations that supplement such agreement) entered into between the Company and the Hedge Counterparty, the Company exchanged an aggregate notional amount of €160.0 million for U.S. dollars at an average rate of EUR/USD 1.085. During the twelve months ended December 31, 2024, the Company settled four \$20.0 million forward contract tranches. As of December 31, 2024, both the Initial Forward and Forward have fully matured and are no longer outstanding.

The fair values of the Company's derivative instruments recorded in the Consolidated Balance Sheet as of December 31, 2024 were as follows:

<i>(In thousands)</i>	Balance Sheet Location	December 31, 2024	December 31, 2023
Derivatives Not Designated as Hedging Instruments (Level 2):			
Foreign exchange contracts – derivative assets	Other receivables	\$ 565	\$ 7,125
Foreign exchange contracts – derivative liabilities	Accounts payable	\$ —	\$ (2,277)
<b>Total derivatives</b>		<b>\$ 565</b>	<b>\$ 4,848</b>

The change in the fair values of the Company's derivative instruments recorded in the Consolidated Statements of Loss during the years ended December 31, 2024, 2023 and 2022 were as follows:

<i>(In thousands)</i>	Income Statement Location	2024	2023	2022
Derivatives Not Designated as Hedging Instruments:				
Foreign exchange contracts	Other income, net	\$ 2,197	\$ 758	\$ 10,793

## Note 11 – Credit Agreements

The carrying amounts of the Company's revolving credit agreements in its Consolidated Balance Sheets were as follows:

<i>(In thousands)</i>	As of December 31,	
	2024	2023
Wells Fargo credit agreement	\$ 189,576	\$ 195,000
<b>Total non-current revolving credit facility</b>	<b>\$ 189,576</b>	<b>\$ 195,000</b>

As of December 31, 2024 and 2023, the estimated fair value of our revolving credit agreements, approximates the carrying value. As of December 31, 2024 and 2023, the weighted average interest rate on our revolving credit agreements was 8.64% and 7.45%, respectively.

### *Wells Fargo Credit Agreement*

On July 18, 2022, ADTRAN, Inc., as the borrower ("U.S. Borrower"), and the Company entered into a credit agreement with a syndicate of banks, including Wells Fargo Bank, National Association, as administrative agent ("Administrative Agent"), and the other lenders named therein (as amended from time to time, the "Credit Agreement"). Initially, the Credit Agreement allowed for revolving credit borrowings of up to \$400.0 million in aggregate principal amount (\$100.0 million of which is, subject to the covenants described below, available to Adtran Networks as borrower pursuant to the Subline (as defined and further described below). As of December 31, 2024, the aggregate principal amount was reduced to \$374.0 million (\$74.0 million of which is available to Adtran Networks as borrower pursuant to the Subline) due to a \$26.0 million reduction on the Subline.

On August 9, 2023, ("First Amendment Effective Date") the Company and ADTRAN, Inc. entered into a First Amendment to Credit Agreement ("First Amendment").

The First Amendment, among other things, increased the available funding from \$100.0 million to \$400.0 million. In addition, a new \$50.0 million delayed draw term loan facility ("DDTL") was introduced, which (subject to certain conditions) was available for borrowing in the event that at least sixty percent (60.0%) of the outstanding shares of Adtran Networks that were not owned by the Company and its subsidiaries as of the First Amendment Effective Date was tendered (such event, a "Springing Covenant Event"). Upon the occurrence of a Springing Covenant Event, the Company will enter a "Springing Covenant Period", defined as the fiscal quarter in which a Springing Covenant Event occurs and the three (3) consecutive fiscal quarters thereafter. During the Springing Covenant Period, the Company's leverage ratios are increased. Although the ability to borrow under the DDTL expired on August 9, 2024, the Springing Covenant Event and Springing Covenant Period remain in effect.

The First Amendment further added additional financial flexibility by permitting, subject to certain requirements, the incurrence of convertible indebtedness by the Company in an aggregate principal amount of up to \$172.5 million. Any such convertible indebtedness must, among other things, be incurred in pro forma compliance with the financial covenants in the Credit Agreement, be unsecured, and otherwise rank junior to borrowings under the Credit Agreement, and have a stated maturity date of at least 91 days after the latest scheduled maturity date of loans and commitments under the Credit Agreement. Net cash proceeds from any incurrence of convertible indebtedness must be used to repurchase minority shares of Adtran Networks or repay revolver borrowings under the Credit Agreement.

On January 16, 2024 ("Second Amendment Effective Date"), the Company and ADTRAN, Inc. entered into a Second Amendment to Credit Agreement and First Amendment to Collateral Agreement ("Second Amendment"). The Second Amendment, among other things, introduced the Covenant Relief Period, which provided the Company with additional covenant headroom while imposing a minimum liquidity financial covenant from the end of the fourth quarter of 2023 to the end of the third quarter of 2024. The Covenant Relief Period ended on November 7, 2024.

On March 12, 2024, the Company and ADTRAN, Inc. entered into a Third Amendment to Credit Agreement ("Third Amendment"). The Third Amendment, among other things, amended the definition of "Consolidated Funded Indebtedness" (which is used in the calculation of the Consolidated Total Net Leverage Ratio and the Consolidated Senior Secured Net Leverage Ratio) to exclude obligations of the Company and its subsidiaries under certain factoring arrangements when calculated for the fiscal quarters ending March 31, 2024, and June 30, 2024.

On June 4, 2024, the Company, ADTRAN, Inc., and Adtran Networks entered into a Fourth Amendment to Credit Agreement ("Fourth Amendment"). The Fourth Amendment, among other things, created a new sublimit under the existing \$400.0 million revolving commitments, in an aggregate amount of \$100.0 million ("Subline"), which Subline is available for borrowings by Adtran Networks. Prepayments of outstanding loans under the Subline that result in the remaining outstanding loans under the Subline being less than the German Commitment Reduction Threshold will result in a permanent partial reduction of the commitments in respect of the Subline. The German Commitment Reduction Threshold is initially \$75.0 million and may be lowered from time to time pursuant to the terms of the Fourth Amendment. The existing swing line sublimit and letter of credit sublimit under the Credit Agreement remained available to the US Borrower (and not to Adtran Networks) after giving effect to the Fourth Amendment. Otherwise, the loans under the Subline are subject to substantially the same terms and conditions under the Credit Agreement (including with respect to the interest rate and maturity date) as the other existing revolving commitments.

As of December 31, 2024, Adtran's borrowings under the revolving line of credit were \$189.6 million, of which approximately \$141.0 million were borrowed by ADTRAN, Inc. and \$48.6 million were borrowed under the Subline by Adtran Networks. The credit facilities provided under the Credit Agreement mature in July 2027, but the U.S. Borrower may request extensions subject to customary conditions. In addition, the U.S. Borrower may utilize up to \$50.0 million of the \$374.0 million total revolving facility for the issuance of letters of credit. As of December 31, 2024, we had a total of 3.6 million in letters of credit under ADTRAN, Inc. outstanding under the Credit Agreement, leaving a net amount (after giving effect to the \$189.6 million of outstanding borrowings described above) of \$180.8 million available for future borrowings; however, as of December 31, 2024, the Company was limited to additional borrowings of \$36.1 million based on debt covenant compliance metrics. Any future credit extensions under the Credit Agreement are subject to customary conditions precedent. The proceeds of any loans are expected to be used for general corporate purposes and to pay a portion of the Exchange Offer consideration. As of December 31, 2024, the Company was in compliance with all covenants.

### *Revolving Line of Credit Interest Rate*

All U.S. dollar borrowings under the revolving line of credit (other than swingline loans, which bear interest at the Base Rate (as defined below plus the applicable margin) bear interest, at the Company's option, at a rate per annum equal to either (A) the Base Rate plus an applicable margin ranging from 0.65% to 1.65% per annum based on the Company's Consolidated Total Net Leverage Ratio (or, during the Covenant Relief Period, an applicable margin of 2.15% per annum), or (B) Adjusted Term SOFR (as defined below) plus an applicable margin ranging from 1.65% to 2.65% per annum based on the Company's Consolidated Total Net Leverage Ratio (or, during the Covenant Relief Period, an applicable margin of 3.15% per annum).

"Base Rate" means the highest of (a) the federal funds rate (i.e., for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the business day next succeeding such day) plus  $\frac{1}{2}$  of 1.0%, (b) the prime commercial lending rate of the Administrative Agent, as established from time to time at its principal U.S. office (which such rate is an index or base rate and will not necessarily be its lowest or best rate charged to its customers or other banks), and (c) the daily Adjusted Term SOFR (as defined in the Credit Agreement) for a one-month tenor plus 1.0%. The Base Rate is subject to a floor of 1.00% per annum.

"Adjusted Term SOFR" means Term SOFR for the applicable interest period *plus* 0.10% per annum. Adjusted Term SOFR is subject to a floor of 0.00% per annum.

All euro borrowings under the revolving line of credit bear interest at a rate per annum equal to EURIBOR (as defined in the Credit Agreement and subject to a 0.00% per annum floor) plus an applicable margin ranging from 1.75% to 2.75% per annum based on the Company's Consolidated Total Net Leverage Ratio (or, during the Applicable Margin Increase Period, an applicable margin of 3.25% per annum).

In addition, if on or prior to December 31, 2024 we have not reduced the aggregate revolving credit commitment to \$340.0 million or less, the applicable margin for all loans shall be increased by 1.00% per annum, and if on or prior to June 30, 2025 we have not reduced the aggregate revolving credit commitment to \$300.0 million or less, the applicable margin for all loans shall be increased by 1.00% per annum.

In addition to paying interest on outstanding principal under the Credit Agreement, the Company is required to pay a quarterly commitment fee to the lenders under the Credit Agreement in respect of unutilized revolving loan commitments on the average daily unused portion of the revolving credit commitment of each lender, which commitment fee ranges from 0.20% to 0.25% per annum based on the Company's Consolidated Total Net Leverage Ratio (or, during the Covenant Relief Period, is equal to 0.25% per annum). The Company is also required to pay a participation fee to the Administrative Agent for the account of each lender with respect to the Company's participation in letters of credit at the then applicable rate for Adjusted Term SOFR Loans or EURIBOR Loans, and other customary fronting, issuance and administration fees with respect to letters of credit.

The "Applicable Margin Increase Period" means the period commencing on the Second Amendment Effective Date and ending on the first date when each of the following conditions have been met: (a) the Covenant Relief Period has ended, (b) since the Second Amendment Effective Date, the borrowers have repaid the revolving credit outstanding borrowings by a principal amount of at least \$75.0 million, (c) the borrowers have reduced the aggregate revolving credit commitment to an amount no greater than \$300.0 million, and (d) the borrowers are in compliance with all financial covenants based on the financial statements for the most recently completed reference period.

Default interest is 2.0% per annum in excess of the rate otherwise applicable.

### *Covenants Under the Credit Agreement*

The financial covenants under the Credit Agreement, as amended, include the following (capitalized terms used in this subsection and not otherwise defined herein have the meanings assigned to them in the Credit Agreement or its amendments, as applicable):

- As of the last day of any fiscal quarter, commencing with the fiscal quarter ended December 31, 2023, the Consolidated Total Net Leverage Ratio may not exceed 5.00x.
- As of the last day of any fiscal quarter, commencing with the fiscal quarter ended December 31, 2023, the Consolidated Senior Secured Net Leverage Ratio may not exceed:
  - In the fiscal quarter in which a Springing Covenant Event occurs and the three consecutive quarterly test periods thereafter, ("Springing Covenant Period"), the following covenant levels:
    - First fiscal quarter ending after a Springing Covenant Event: 4.00x
    - Second fiscal quarter ending after a Springing Covenant Event: 3.75x
    - Third and fourth fiscal quarters ending after a Springing Covenant Event: 3.50x
- If the Company or any of its subsidiaries incurs certain unsecured indebtedness in excess of \$50.0 million in connection with a transaction that is a Springing Covenant Event or during a Springing Covenant Period, the Consolidated Senior Secured Net Leverage Ratio covenant will step down to 3.50x at the time of such incurrence.

- If a Springing Covenant Period is not in effect, the Consolidated Senior Secured Net Leverage Ratio may not exceed 3.25x.
- As of the last day of any fiscal quarter, commencing with the fiscal quarter ended December 31, 2023, the Consolidated Fixed Charge Coverage Ratio may not be less than 1.25x.
- During a Springing Covenant Period, as of the last day of any fiscal quarter (i) cash and cash equivalents of the Credit Parties must be at least \$50.0 million and (ii) cash and cash equivalents of the Company and its subsidiaries must be at least \$70.0 million.

All obligations under the Credit Agreement (including under the Subline) are guaranteed by ADTRAN, Inc., and certain subsidiaries of ADTRAN, Inc. ("Full Facility Guarantors"). To secure such guarantees, ADTRAN, Inc. and the Full Facility Guarantors have granted security interests in favor of the Administrative Agent over substantially all of their tangible and intangible assets, and ADTRAN, Inc. has granted mortgages in favor of the Administrative Agent over certain owned real estate assets. Certain of Adtran Networks' subsidiaries ("Subline Guarantors") have provided a guarantee solely of the obligations in respect of the Subline. Furthermore, to secure such guarantees, the Subline Guarantors have granted security interests in favor of the Administrative Agent over substantially all of their tangible and intangible assets. Adtran Networks has also granted security interests in favor of the Administrative Agent over substantially all of its tangible and intangible assets, to secure solely its obligations under the Subline. Upon repayment in full and termination of the Subline, the guarantees by the Subline Guarantors and the liens granted by Adtran Networks and the Subline Guarantors to secure obligations under the Subline will be released.

The Credit Agreement, as amended, contains customary affirmative and negative covenants, including incurrence covenants and certain other limitations on the ability of the Company and the Company's subsidiaries to incur additional debt, guarantee other obligations, grant liens on assets, make investments, dispose of assets, make restricted payments, engage in mergers or consolidations, engage in transactions with affiliates, modify its organizational documents, and enter into certain restrictive agreements. The negative covenants are subject to various exceptions and carveouts. It also contains customary events of default, such as misrepresentation and a default in the performance or observance of any covenant (subject to customary cure periods and materiality thresholds). Upon the occurrence and during the continuance of an event of default, the Administrative Agent is entitled to take various actions, including the acceleration of all amounts due under the Credit Agreement.

## Note 12 – Income Taxes

The components of income tax expense (benefit) for the years ended December 31, 2024, 2023 and 2022 are as follows:

<i>(In thousands)</i>	2024 (Restated)	2023 (Restated)	2022
<b>Current</b>			
Federal	\$ (1,456)	\$ 2,545	\$ 4,572
State	575	26	88
International	2,645	10,004	(4,347)
<b>Total Current</b>	<b>1,764</b>	<b>12,575</b>	<b>313</b>
<b>Deferred</b>			
Federal	357	46,672	(47,429)
State	(405)	6,607	(6,776)
International	5,624	(37,555)	(8,183)
<b>Total Deferred</b>	<b>5,576</b>	<b>15,724</b>	<b>(62,388)</b>
<b>Total Income Tax Expense (Benefit)</b>	<b>\$ 7,340</b>	<b>\$ 28,299</b>	<b>\$ (62,075)</b>

The effective income tax rate differs from the federal statutory rate due to the following:

	2024 (Restated)	2023 (Restated)	2022
Tax provision computed at the federal statutory rate	21.00%	21.00%	21.00%
State income tax provision, net of federal benefit	0.06	1.33	2.60
Federal research credits	0.66	3.23	6.74
Foreign taxes	(0.02)	3.20	6.29
Tax-exempt income	0.04	0.06	0.21
Change in valuation allowance	(6.48)	(34.83)	63.92
Non-deductible transaction costs	—	—	(2.74)
Foreign tax credits	0.84	2.42	(0.40)
Stock-based compensation	(0.39)	(0.56)	(2.09)
Withholding taxes	(0.08)	0.01	0.03
Adtran Networks tax exempt income	—	1.41	—
Return to accrual	0.59	0.61	0.24
Global intangible low-taxed income ("GILTI")	(3.07)	(5.81)	(8.08)
Adtran Networks Goodwill Impairment	(13.84)	(4.57)	—
Other, net	(0.97)	0.40	(0.24)
<b>Effective Tax Rate</b>	<b>(1.66)%</b>	<b>(12.10)%</b>	<b>87.48%</b>

Loss before expense (benefit) for income taxes for the years ended December 31, 2024, 2023 and 2022 is as follows:

(In thousands)	2024 (Restated)	2023 (Restated)	2022
U.S. entities	\$ (71,684)	\$ (113,951)	\$ (33,720)
International entities	(371,043)	(119,656)	(37,243)
<b>Total</b>	<b>\$ (442,727)</b>	<b>\$ (233,607)</b>	<b>\$ (70,963)</b>

Loss before expense (benefit) for income taxes for international entities reflects loss based on statutory transfer pricing agreements. This amount does not correlate to consolidated international revenue, which occurs from our U.S. entity.

Deferred income taxes on the Consolidated Balance Sheets result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The significant components of current and non-current deferred taxes as of December 31, 2024 and 2023 consist of the following:

<i>(In thousands)</i>	2024 (Restated)	2023 (Restated)
Deferred tax assets:		
Inventory	\$ 14,121	\$ 19,623
Accrued expenses	845	3,533
Deferred compensation	7,093	6,284
Stock-based compensation	1,770	2,023
Uncertain tax positions related to state taxes and related interest	105	105
Goodwill	3,001	3,496
Pensions	5,121	8,607
Foreign losses	73,162	3,225
State losses and credit carry-forwards	4,901	4,259
Federal loss and research carry-forwards	20,874	78,450
Lease liabilities	6,153	7,701
Capitalized research and development expenditures	43,574	48,192
Interest expense limitation	6,815	—
Valuation allowance	(115,694)	(86,567)
<b>Total Deferred Tax Assets</b>	<b>71,841</b>	<b>98,931</b>
Deferred tax liabilities:		
Property, plant and equipment	(8,368)	(9,093)
Intellectual property	(67,923)	(86,572)
Right of use lease assets	(6,175)	(8,424)
Investments	(1,921)	(1,114)
<b>Total Deferred Tax Liabilities</b>	<b>(84,387)</b>	<b>(105,203)</b>
<b>Net Deferred Tax Liabilities</b>	<b>\$ (12,546)</b>	<b>\$ (6,272)</b>

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law. Subsequently, the Internal Revenue Service (“IRS”) released its final GILTI regulations on July 9, 2020. The passage of the CARES Act and subsequent issuance of the GILTI final regulations together resulted in the Company’s recognition of a tax benefit in the amount of \$10.8 million during 2020, \$7.9 million of which related to the utilization of deferred tax assets which had previously been offset with a valuation allowance and \$2.9 million primarily related to the tax rate differential on carrying back losses from 2018 and 2019 tax years to prior years in which the U.S. Corporate tax rate was 35% versus the current 21% federal tax rate.

On December 20, 2021, the Organization for Economic Co-operation and Development (“OECD”) published Pillar Two Model Rules defining the global minimum tax, which calls for the taxation of large corporations at a minimum rate of 15%. The OECD has since issued administrative guidance providing transition and safe harbor rules around the implementation of the Pillar Two global minimum tax. Many non-U.S. tax jurisdictions have either recently enacted legislation to adopt certain components of the Pillar Two Model Rules beginning in 2024 (including the European Union Member States) with the adoption of additional components in later years or announced their plans to enact legislation in future years. The Pillar Two Model Rules did not have a material impact on the Company’s financial statements for the 2024 tax year. We are still closely monitoring developments and evaluating the potential impact on future periods.

On August 16, 2022, the Inflation Reduction Act of 2022 (“Inflation Reduction Act”) was signed into law, with tax provisions primarily focused on implementing a 15% minimum tax on global adjusted financial statement income (“AFSI”) for corporations with average AFSI exceeding \$1 billion over a three-year period, a 1% excise tax on share repurchases and various climate and clean energy tax incentives. The Inflation Reduction Act did not have a material impact on the Company’s financial statements for the 2024 tax year.

As of December 31, 2024 and 2023, non-current deferred taxes reflected deferred taxes on net unrealized gains and losses on available-for-sale investments and deferred taxes on unrealized losses in our pension plan. The net change in non-current deferred taxes associated with these items, which resulted in a deferred tax benefit of \$0.2 million and \$0.3 million in 2024 and 2023, respectively, was recorded as an adjustment to other comprehensive (loss) income, presented in the Consolidated Statements of Comprehensive (Loss) Income.

The Company continually reviews the adequacy of our valuation allowance and recognizes the benefits of deferred tax assets only as the reassessment indicates that it is more likely than not that the deferred tax assets will be realized in accordance with ASC 740, *Income Taxes*. Due to the decrease in revenue and profitability for 2023 and 2024 and all other positive and negative objective evidence considered as part of our analysis, our ability to consider other subjective evidence such as projections for future growth continues to be limited when evaluating whether our deferred tax assets will be realized. As such, the Company maintains its conclusion from 2023 that it is not more likely than not that our domestic deferred tax assets will be realized and a valuation allowance against certain domestic deferred tax assets remains through 2024. Additional valuation allowance was recorded against certain deferred tax assets on our foreign entities as not more likely than not realizable in the fourth quarter of 2024. The amount of the deferred tax assets considered realizable, however, could be adjusted in future periods in the event sufficient evidence is present to support a conclusion that it is more likely than not that all or a portion of our deferred tax assets will be realized.

As of December 31, 2024 and 2023, the Company had gross deferred tax assets totaling \$103.1 million offset by a valuation allowance totaling \$115.7 million and gross deferred tax assets totaling \$80.3 million offset by a valuation allowance of \$86.6 million, respectively. Of the current valuation allowance, \$87.0 million was established against our domestic deferred tax assets and the remaining \$28.7 million is related to foreign tax assets where we lacked sufficient future source of taxable income to realize those deferred tax assets. The change in our valuation allowance for the year ending December 31, 2024 was an increase of \$29.1 million. The change in the valuation allowance was primarily related to the decrease in deferred tax liabilities remaining from the step up in book basis from purchase accounting and the increase in deferred tax assets associated with net operating losses and interest expense limitation during the year.

Supplemental balance sheet information related to deferred tax assets (liabilities) as of December 31, 2024 and 2023 were as follows:

December 31, 2024 (Restated)			
(In thousands)	Deferred Tax Assets (Liabilities)	Valuation Allowance	Deferred Tax Assets (Liabilities), net
Domestic	\$ 102,002	\$ (87,030)	\$ 14,972
International	1,146	(28,664)	(27,518)
<b>Total</b>	<b>\$ 103,148</b>	<b>\$ (115,694)</b>	<b>\$ (12,546)</b>

December 31, 2023 (Restated)			
(In thousands)	Deferred Tax Assets (Liabilities)	Valuation Allowance	Deferred Tax Assets (Liabilities), net
Domestic	\$ 100,700	\$ (84,767)	\$ 15,933
International	(20,405)	(1,800)	(22,205)
<b>Total</b>	<b>\$ 80,295</b>	<b>\$ (86,567)</b>	<b>\$ (6,272)</b>

As of December 31, 2024 and 2023, the deferred tax assets for foreign and domestic loss carry-forwards, research and development tax credits, unamortized research and development costs and state credit carry-forwards totaled \$142.5 million and \$135.6 million, respectively. As of December 31, 2024, \$27.7 million of these deferred tax assets will expire at various times between 2025 and 2045. The remaining deferred tax assets will either amortize through 2040 or carryforward indefinitely.

As of December 31, 2024 and 2023, respectively, our cash and cash equivalents were \$76.0 million and \$87.2 million. Of these amounts, our foreign subsidiaries held cash of \$52.6 million and \$73.0 million, respectively, representing approximately 78% and 88% of available short-term liquidity, which is used to fund ongoing liquidity needs of these subsidiaries. As part of our restructuring plan, the Company's assertion on being indefinitely reinvested changed in a particular jurisdiction in a previous year. The Company has a withholding tax liability of \$0.4 million as of December 31, 2024 and 2023. The Company maintains its assertion in all other jurisdictions that it is indefinitely reinvesting its funds held in foreign jurisdictions outside of the U.S., except to the extent any of these funds can be repatriated without withholding tax. However, if all of these funds were repatriated to the U.S., or used for U.S. operations, certain amounts could be subject to tax. Due to the timing and circumstances of repatriation of such earnings, if any, it is not practicable to determine the amount of funds subject to unrecognized deferred tax liability.

During 2024, 2023 and 2022, no income tax benefit or expense was recorded for stock options exercised as an adjustment to equity.



The change in the unrecognized income tax benefits for the years ended December 31, 2024, 2023 and 2022 were as follows:

<i>(In thousands)</i>	2024	2023	2022
<b>Balance at beginning of period</b>	<b>\$ 989</b>	<b>\$ 17,885</b>	<b>\$ 17,836</b>
Increases for tax position related to:			
Prior years	—	—	—
Current year	—	129	123
Decreases for tax positions related to:			
Prior years	(121)	(17,025)	(13)
Expiration of applicable statute of limitations	(616)	—	(61)
<b>Balance at end of period</b>	<b>\$ 252</b>	<b>\$ 989</b>	<b>\$ 17,885</b>

As of December 31, 2024, 2023 and 2022, our total liability for unrecognized tax benefits was \$0.3 million, \$1.0 million and \$17.9 million, respectively, of which \$0.3 million, \$1.0 million and \$17.9 million, respectively, would reduce our effective tax rate if we were successful in upholding all of the uncertain positions and recognized the amounts recorded. We classify interest and penalties recognized on the liability for unrecognized tax benefits as income tax expense. As of December 31, 2023 and 2022, the balances of accrued interest and penalties \$0.1 million and \$0.1 million, respectively. There was no accrued interest and penalties as of December 31, 2024.

We do not anticipate a single tax position generating a significant increase or decrease in our liability for unrecognized tax benefits within 12 months of this reporting date. We file income tax returns in the U.S. for federal and various state jurisdictions and several foreign jurisdictions. We are not currently under audit by the Internal Revenue Service. Generally, we are not subject to changes in income taxes by any taxing jurisdiction for the years prior to 2019.

### **Note 13 – Employee Benefit Plans**

#### *Pension Benefit Plan*

We maintain a defined benefit pension plans covering employees in certain foreign countries. Pension benefit plan obligations are based on various assumptions used by our actuaries in calculating these amounts. These assumptions include discount rates, compensation rate increases, expected return on plan assets, retirement rates and mortality rates. Actual results that differ from the assumptions and changes in assumptions could affect future expenses and obligations. Details regarding the pension plans are set forth below.

- In Germany, there are two defined benefit pension plans and two defined contribution plans. These plans provide benefits in the event of retirement, death or disability. The plan's benefits are based on age, years of service and salary. The defined benefit plans are financed by contributions paid by the Company and the defined contribution plans are financed by contributions paid by the participants.
- In Switzerland, there are two defined benefit pension plans. Both plans provide benefits in the event of retirement, death or disability. The plan's benefits are based on age, years of service, salary and on a participant's old age account. The plans are financed by contributions paid by the participants and by the Company.
- In Italy, the post-employment benefit plan is required due to statutory provisions. The plan is financed directly by the Company on a pay as you go basis. Employees receive their pension payments as a function of salary, inflation and a notional account.
- In Israel, there is a defined benefit pension plan that provides benefits in the event of a participant being dismissed involuntarily, retirement or death. The plan's benefits are based on the higher of the severance benefit required by law or the cash surrender value of the severance benefit component of any qualifying insurance policy or long-term employee benefit fund that is registered in the participants name. The plan is financed by contributions paid by the Company.
- In India, the post-employment benefit plan is required due to statutory provisions. The plan is financed directly by the Company on a pay as you go basis.



The pension benefit plan obligations and funded status as of December 31, 2024 and 2023, were as follows:

<i>(In thousands)</i>	2024	2023
<b>Change in projected benefit obligation:</b>		
Projected benefit obligation at beginning of period	\$ 67,897	\$ 59,344
Service cost	1,664	1,579
Interest cost	1,902	1,851
Actuarial (gain) loss - experience	(238)	1,181
Actuarial loss - assumptions	860	1,791
Benefit payments	(4,108)	(1,966)
Plan amendments	(874)	966
Participant contributions	429	—
Effects of foreign currency exchange rate changes	(4,273)	3,151
<b>Projected benefit obligation at end of period</b>	<b>63,259</b>	<b>67,897</b>
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of period	55,218	48,720
Actual gain on plan assets	3,966	3,125
Contributions	1,288	1,215
Benefit payments	(2,244)	(231)
Effects of foreign currency exchange rate changes	(3,738)	2,389
<b>Fair value of plan assets at end of period</b>	<b>54,490</b>	<b>55,218</b>
<b>Unfunded status at end of period</b>	<b>\$ (8,769)</b>	<b>\$ (12,679)</b>

The accumulated benefit obligation was \$62.8 million and \$67.1 million as of December 31, 2024 and 2023, respectively. The decrease in the accumulated benefit obligation, projected benefit obligation and the actuarial loss was primarily attributable to benefit payments to retirees and the effect of exchange rates during the year.

The net amounts recognized in the Consolidated Balance Sheets for the unfunded pension liability as of December 31, 2024 and 2023 were as follows:

<i>(In thousands)</i>	Balance Sheet Location	2024	2023
Non-current pension asset	Other non-current assets	\$ 517	\$ —
Current pension liability	Accrued wages and benefits	(303)	(136)
Non-current pension liability	Non-current pension liability	(8,983)	(12,543)
<b>Total</b>		<b>\$ (8,769)</b>	<b>\$ (12,679)</b>

The components of net periodic pension cost, other than the service cost component, are included in other income, net in the Consolidated Statements of Loss. The components of net periodic pension cost and amounts recognized in other comprehensive (loss) income for the years ended December 31, 2024, 2023 and 2022 were as follows:

<i>(In thousands)</i>	2024	2023	2022
<b>Net periodic benefit cost:</b>			
Service cost	\$ 1,664	\$ 1,579	\$ 1,426
Interest cost	1,902	1,851	1,168
Expected return on plan assets	(2,529)	(1,750)	(2,129)
Amortization of actuarial losses	28	26	355
<b>Net periodic benefit cost</b>	<b>1,065</b>	<b>1,706</b>	<b>820</b>
<b>Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):</b>			
Net actuarial (gain) loss	(1,640)	2,304	(6,549)
Amortization of actuarial gains (losses)	233	(145)	(113)
<b>Amount recognized in other comprehensive (income) loss</b>	<b>(1,407)</b>	<b>2,159</b>	<b>(6,662)</b>
<b>Total recognized in net periodic benefit cost and other comprehensive (income) loss</b>	<b>\$ (342)</b>	<b>\$ 3,865</b>	<b>\$ (5,842)</b>

The amounts recognized in accumulated other comprehensive loss as of December 31, 2024 and 2023 were as follows:

<i>(In thousands)</i>	2024	2023
Net actuarial loss	\$ (1,824)	\$ (3,231)

The defined benefit pension plans are accounted for on an actuarial basis, which requires the use of various assumptions, including an expected rate of return on plan assets and a discount rate. The expected return on our plan's assets is utilized in determining the benefit obligation and net periodic benefit cost is derived from periodic studies, which include a review of asset allocation strategies, anticipated future long-term performance of individual asset classes, risks using standard deviations and correlations of returns among the asset classes that comprise the plans' asset mix. While the studies give appropriate consideration to recent plan performance and historical returns, the assumptions are primarily long-term, prospective rates of return. The discount rate has been derived from the returns of high-quality, corporate bonds denominated in euro currency with durations close to the duration of our pension obligations.

The weighted-average assumptions that were used to determine the net periodic benefit cost for the years ended December 31, 2024, 2023 and 2022 were as follows:

	2024	2023	2022
Discount rate	2.84%	3.17%	3.24%
Rate of compensation increase	1.54%	2.22%	2.17%
Expected long-term rates of return	4.85%	4.83%	4.65%

The weighted-average assumptions that were used to determine the benefit obligation as of December 31, 2024 and 2023:

	2024	2023
Discount rate	2.73%	2.84%
Rate of compensation increase	1.54%	2.22%

Actuarial gains and losses are recorded in accumulated other comprehensive income. To the extent unamortized gains and losses exceed 10% of the higher of the market-related value of assets or the projected benefit obligation, the excess is amortized as a component of net periodic pension cost over the remaining service period of active participants.

The Company anticipates making approximately \$2.0 million in contributions to the pension plans in 2025.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid to participants:

<i>(In thousands)</i>	
2025	\$ 3,032
2026	3,214
2027	3,906
2028	3,346
2029	4,352
2030 - 2034	18,834
<b>Total</b>	<b>\$ 36,684</b>

U.S. GAAP establishes a three-level valuation hierarchy based upon observable and unobservable inputs for fair value measurement of financial instruments:

- Level 1 – Observable outputs; values based on unadjusted quoted prices for identical assets or liabilities in an active market;
- Level 2 – Significant inputs that are observable; values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly;
- Level 3 – Significant unobservable inputs; values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs could include information supplied by investees.

We have categorized our cash equivalents and our investments held at fair value into this hierarchy as follows:

	Fair Value Measurements at December 31, 2024 Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In thousands)</i>				
<b>Cash and cash equivalents</b>	\$ 753	\$ 753	\$ —	\$ —
<b>Available-for-sale securities</b>				
Bond funds	18,058	16,867	1,191	—
Equity funds	21,376	21,183	193	—
Other funds	7,406	6,089	1,317	—
Real estate funds	6,897	1,737	2,106	3,054
<b>Available-for-sale securities</b>	<b>53,737</b>	<b>45,876</b>	<b>4,807</b>	<b>3,054</b>
<b>Total</b>	<b>\$ 54,490</b>	<b>\$ 46,629</b>	<b>\$ 4,807</b>	<b>\$ 3,054</b>

	Fair Value Measurements at December 31, 2023 Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In thousands)</i>				
<b>Cash and cash equivalents</b>	\$ 987	\$ 987	\$ —	\$ —
<b>Available-for-sale securities</b>				
Bond funds	20,155	18,840	1,315	-
Equity funds	21,525	21,288	237	—
Other funds	6,054	5,343	711	—
Insurance contracts	353	—	353	—
Real estate funds	6,144	546	2,326	3,272
<b>Available-for-sale securities</b>	<b>54,231</b>	<b>46,017</b>	<b>4,942</b>	<b>3,272</b>
<b>Total</b>	<b>\$ 55,218</b>	<b>\$ 47,004</b>	<b>\$ 4,942</b>	<b>\$ 3,272</b>

Our investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants and consider a broad range of economic conditions. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans' actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The investment policy is periodically reviewed by the Company and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner that is compliant at all times with applicable government regulations.

#### *401(k) Savings Plans*

We maintain the ADTRAN, Inc. 401(k) Retirement Plan and the Adtran Networks SE 401(k) Retirement Plan (the "Savings Plans") for the benefit of eligible employees. The Savings Plans are intended to qualify under Sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"), and is intended to be a "safe harbor" 401(k) plan under Code Section 401(k)(12). The Savings Plans allows employees to save for retirement by contributing part of their compensation to the plan on a tax-deferred basis. The Savings Plans also requires us to contribute a "safe harbor" amount each year. In our legacy ADTRAN, Inc. plan, we match up to 4% of employee contributions (100% of an employee's first 3% of contributions and 50% of their next 2% of contributions), beginning on the employee's one-year anniversary date. All matching contributions under the legacy ADTRAN, Inc. Savings Plan vest immediately. In our legacy Adtran Networks, plan, we match up to 1.5% of employee contributions (25% of an employee's first 6% of contributions). All matching contributions under the legacy Adtran Networks Savings Plan vest ratably over five years beginning on the employee's one-year anniversary date. In addition, under the legacy Adtran Networks plan, an annual matching employer contribution is made which is based on the Company's achievement against a yearly relative Pro-forma EBIT target which can range from no additional match up to an additional 50% match. In calculating our matching contributions, compensation up to the statutory maximum under the Code is used (\$345,000 for 2024). Employer contribution expense and plan administration costs for both Savings Plan amounted to approximately \$3.5 million, \$4.2 million and \$4.1 million in 2024, 2023 and 2022, respectively.

#### *Deferred Compensation Plans*

We maintain two deferred compensation programs for certain executive management employees.

The ADTRAN, Inc. Deferred Compensation Program for Employees is offered as a supplement to our tax-qualified 401(k) plan and is available to certain executive management employees who have been designated by our Board of Directors. This deferred compensation plan allows participants to defer all or a portion of certain specified bonuses and up to 25% of remaining cash compensation and permits

us to make matching contributions on a discretionary basis without the limitations that apply to the 401(k) plan. To date, we have not made any matching contributions under this plan. We also maintain the ADTRAN, Inc. Equity Deferral Program for Employees. Under this plan, participants may elect to defer all or a portion of their vested PSUs and RSUs to the plan. Such deferrals shall continue to be held and deemed to be invested in shares of Adtran stock unless and until the amounts are distributed or such deferrals are moved to another deemed investment pursuant to an election made by the participant.

We have set aside the plan assets for all plans in a rabbi trust (the “Trust”) and all contributions are credited to bookkeeping accounts for the participants. The Trust assets are subject to the claims of our creditors in the event of bankruptcy or insolvency. The assets of the Trust are deemed to be invested in pre-approved mutual funds as directed by each participant and the participant’s bookkeeping account is credited with the earnings and losses attributable to those investments. Benefits are scheduled to be distributed six months after termination of employment in a single lump sum payment or annual installments paid over a three or ten-year term based on the participant’s election. Distributions will be made on a pro-rata basis from each of the hypothetical investments of the participant’s account in cash. Any whole shares of ADTRAN, Inc. common stock that are distributed will be distributed in-kind.

Assets of the Trust are deemed invested in mutual funds that cover an investment spectrum ranging from equities to money market instruments. These mutual funds are publicly quoted and reported at fair value. The fair value of the assets held by the Trust and the amounts payable to the plan participants as of December 31, 2024 and 2023 were as follows:

<i>(In thousands)</i>	2024	2023
<b>Fair Value of Plan Assets</b>		
Long-term investments	\$ 30,991	\$ 26,838
<b>Total Fair Value of Plan Assets</b>	<b>\$ 30,991</b>	<b>\$ 26,838</b>
<b>Amounts Payable to Plan Participants</b>		
Deferred compensation liability	\$ 33,203	\$ 29,039
<b>Total Amounts Payable to Plan Participants</b>	<b>\$ 33,203</b>	<b>\$ 29,039</b>

The Trust held \$2.2 million of common stock in the Company as of December 31, 2024 and 2023. Shares of the Company held by the Trust are recorded at cost and classified as treasury stock on the Consolidated Balance Sheet.

Interest and dividend income of the Trust are included in interest and dividend income in the accompanying 2024, 2023 and 2022 Consolidated Statements of Loss. Changes in the fair value of the plan assets held by the Trust have been included in other income, net in the accompanying 2024, 2023 and 2022 Consolidated Statements of Loss. Changes in the fair value of the deferred compensation liability are included as selling, general and administrative expense in the accompanying 2024, 2023 and 2022 Consolidated Statements of Loss. Based on the changes in the total fair value of the Trust’s assets, the Company recorded deferred compensation income in 2024, 2023 and 2022 of \$3.4 million, \$3.0 million and \$6.3 million, respectively.

#### Note 14 – Equity

The following table presents changes in accumulated other comprehensive income (loss), net of tax, by components of accumulated other comprehensive income (loss) for the years ended December 31, 2024, 2023 and 2022:

<i>(In thousands)</i>	Unrealized Gains (Losses) on Available- for-Sale Securities	Defined Benefit Plan Adjustments	Foreign Currency Adjustments	ASU 2018-02 Adoption (1)	Total
<b>Balance as of December 31, 2022</b>	<b>(836)</b>	<b>(1,016)</b>	<b>27,593</b>	<b>385</b>	<b>26,126</b>
Other comprehensive (loss) income before reclassifications	734	(1,590)	22,822	—	21,966
Amounts reclassified from accumulated other comprehensive (loss) income	(280)	100	—	—	(180)
Net current period other comprehensive income (loss)	454	(1,490)	22,822	—	21,786
Less: Other comprehensive income attributable to non-controlling interest, net of tax	—	—	382	—	382
<b>Balance as of December 31, 2023 (Restated)</b>	<b>(382)</b>	<b>(2,506)</b>	<b>50,033</b>	<b>385</b>	<b>47,530</b>
Other comprehensive (loss) income before reclassifications	(160)	1,640	(37,755)	—	(36,275)
Amounts reclassified from accumulated other comprehensive income (loss)	160	(161)	—	—	(1)
Net current period other comprehensive income (loss)	—	1,479	(37,755)	—	(36,276)
<b>Balance as of December 31, 2024 (Restated)</b>	<b>\$ (382)</b>	<b>\$ (1,027)</b>	<b>\$ 12,278</b>	<b>\$ 385</b>	<b>\$ 11,254</b>

- (1) With the adoption of ASU 2018-02 on January 1, 2019, stranded tax effects related to the Tax Cuts and Jobs Act of 2017 were reclassified to retained earnings.

The following tables present the details of reclassifications out of accumulated other comprehensive income (loss) for the years ended December 31, 2024, 2023 and 2022:

(In thousands)

Details about Accumulated Other Comprehensive (Loss) Income Components	For the year ended December 31,			Affected Line Item in the Statement Where Net Loss Is Presented
	2024	2023	2022	
Unrealized gains (loss) on available-for-sale securities:				
Net realized gain (loss) on sales of securities	\$ 216	\$ (378)	\$ (328)	Net investment gain
Defined benefit plan adjustments – actuarial (loss) gain	(233)	145	113	(1)
Total reclassifications for the period, before tax	(17)	(233)	(215)	
Tax expense	16	53	50	
<b>Total reclassifications for the period, net of tax</b>	<b>\$ (1)</b>	<b>\$ (180)</b>	<b>\$ (165)</b>	

(1) Included in the computation of net periodic pension cost. See Note 13 for additional information.

The following tables present the tax effects related to the change in each component of other comprehensive income (loss) for the years ended December 31, 2024, 2023 and 2022:

(In thousands)	2024 (Restated)		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Unrealized (losses) gains on available-for-sale securities	\$ (216)	\$ 56	\$ (160)
Reclassification adjustment for amounts related to available-for-sale investments included in net income (loss)	216	(56)	160
Defined benefit plan adjustments	1,640	—	1,640
Reclassification adjustment for amounts related to defined benefit plan adjustments included in net (loss) income	(233)	72	(161)
Foreign currency translation adjustment	(37,755)	—	(37,755)
<b>Total Other Comprehensive Loss</b>	<b>\$ (36,348)</b>	<b>\$ 72</b>	<b>\$ (36,276)</b>

(In thousands)	2023 (Restated)		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Unrealized gains (losses) on available-for-sale securities	\$ 992	\$ (258)	\$ 734
Reclassification adjustment for amounts related to available-for-sale investments included in net (loss) income	(378)	98	(280)
Defined benefit plan adjustments	(2,304)	714	(1,590)
Reclassification adjustment for amounts related to defined benefit plan adjustments included in net income (loss)	145	(45)	100
Foreign currency translation adjustment	22,822	—	22,822
<b>Total Other Comprehensive Income</b>	<b>\$ 21,277</b>	<b>\$ 509</b>	<b>\$ 21,786</b>

(In thousands)	2022		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Unrealized (losses) gains on available-for-sale securities	\$ (55)	\$ 14	\$ (41)
Reclassification adjustment for amounts related to available-for-sale investments included in net (loss) income	(328)	85	(243)
Defined benefit plan adjustments	6,549	(2,030)	4,519
Reclassification adjustment for amounts related to defined benefit plan adjustments included in net income (loss)	113	(35)	78
Foreign currency translation adjustment	53,396	—	53,396
<b>Total Other Comprehensive Income (Loss)</b>	<b>\$ 59,675</b>	<b>\$ (1,966)</b>	<b>\$ 57,709</b>

## Note 15 – Redeemable Non-Controlling Interest

As of December 31, 2024 and 2023, the non-controlling Adtran Networks stockholders' equity ownership percentage in Adtran Networks was approximately 33.0% and 34.7%, respectively.

The following table summarizes the redeemable non-controlling interest activity for the year ended December 31, 2024 and 2023:

(In thousands)	For the year ended December 31,	
	2024	2023 (Restated)
<b>Balance at beginning of period</b>	<b>\$ 443,327</b>	<b>\$ —</b>
Reclassification of non-controlling interests	—	443,757
Non-controlling interests in Adtran Holdings related to stock options exercised	—	1,175
Redemption of redeemable non-controlling interests	(20,384)	(1,657)
Net income attributable to redeemable non-controlling interests	9,824	10,092 <sup>(1)</sup>
Annual recurring compensation earned	(9,824)	(10,092) <sup>(1)</sup>
Adtran Networks stock option exercises	—	52
<b>Balance at end of period</b>	<b>\$ 422,943</b>	<b>\$ 443,327 <sup>(1)</sup></b>

(1) During the third quarter of 2024, the Company identified errors primarily impacting the carrying values of the redeemable non-controlling interest, retained deficit, the net income attributable to the non-controlling interest and the net loss attributable to the Company and, as a consequence, of the loss per common share attributable to the Company. We have restated issued Consolidated Financial Statements for the year ended December 31, 2023. See Note 1 for additional information.

Annual Recurring Compensation payable on untendered outstanding shares under the DPLTA must be recognized as it is accrued. For the years ended December 31, 2024 and 2023, we accrued \$9.8 million and \$10.1 million, respectively, representing the portion of the annual recurring cash compensation cash to the non-controlling shareholders during such periods. The 2024 Annual Recurring Compensation accrual will be paid after the ordinary general shareholders' meeting of Adtran Networks in 2025. For the year ended December 31, 2023, we paid \$10.1 million representing the portion of the annual recurring cash compensation to the non-controlling shareholders during such period. *See Note 1 for additional information on RNCI and the Annual Recurring Compensation.*



## Note 16 – Segment Information and Major Customers

The chief operating decision maker is the Company's Chief Executive Officer who regularly reviews the Company's financial performance based on two reportable segments: (1) Network Solutions and (2) Services & Support.

The Network Solutions segment includes hardware and software products that enable a digital future which support the Company's Subscriber, Access and Aggregation, and Optical Networking Solutions. The Company's cloud-managed Wi-Fi gateways, virtualization software, and switches provide a mix of wired and wireless connectivity at the customer premises. In addition, its Carrier Ethernet products support a variety of applications at the network edge ranging from mobile backhaul to connecting enterprise customers ("Subscriber Solutions"). The Company's portfolio includes products for multi-gigabit service delivery over fiber or alternative media to homes and businesses.

The Services & Support segment offers a comprehensive portfolio of network design, implementation, maintenance and cloud-hosted services supporting its Subscriber, Access and Aggregation, and Optical Networking Solutions. These services assist operators in the deployment of multi-vendor networks while reducing their cost to maintain these networks. The cloud-hosted services include a suite of SaaS applications under the Company's Mosaic One platform that manages end-to-end network and service optimization for both fiber access infrastructure and mesh Wi-Fi connectivity. The Company backs these services with a global support organization that offers on-site and off-site support services with varying SLAs.

The performance of these segments is evaluated based on revenue, gross profit and gross margin; therefore, selling, general and administrative expenses, research and development expenses, interest and dividend income, interest expense, net investment gain (loss), other income, net and income tax (expense) benefit are reported on a Company-wide basis only. There is no inter-segment revenue. Asset information by reportable segment is not produced and, therefore, is not reported.

### Revenue and Gross Profit

The following table presents information about revenue and gross profit of our reportable segments for each of the years ended December 31, 2024, 2023 and 2022:

(In thousands)	2024			2023			2022		
	Revenue	Cost of Revenue (Restated)	Gross Profit (Restated)	Revenue	Cost of Revenue (Restated)	Gross Profit (Restated)	Revenue	Cost of Revenue	Gross Profit
Network Solutions	\$ 738,964	\$ 525,817	\$ 213,147	\$ 974,389	\$ 748,831	\$ 225,558	\$ 916,793	\$ 647,105	\$ 269,688
Services & Support	183,756	72,739	111,017	174,711	69,142	105,569	108,743	51,179	57,564
<b>Total</b>	<b>\$ 922,720</b>	<b>\$ 598,556</b>	<b>\$ 324,164</b>	<b>\$ 1,149,100</b>	<b>\$ 817,973</b>	<b>\$ 331,127</b>	<b>\$ 1,025,536</b>	<b>\$ 698,284</b>	<b>\$ 327,252</b>

For the years ended December 31, 2024, 2023 and 2022, \$6.1 million, \$6.5 million and \$3.2 million, respectively, of depreciation expense was included in gross profit for our Network Solutions segment. For the years ended December 31, 2024, 2023 and 2022, \$0.1 million, \$20 thousand and \$10 thousand, respectively, of depreciation expense was included in gross profit for our Services & Support segment.

### Revenue by Category

In addition to operating under two reportable segments, the Company also reports revenue across three categories – Subscriber Solutions, Access & Aggregation Solutions and Optical Networking Solutions.

Prior to the Business Combination with Adtran Networks on July 15, 2022, ADTRAN, Inc. reported revenue across the following three categories: (1) Access & Aggregation, (2) Subscriber Solutions & Experience and (3) Traditional & Other Products. Following the Business Combination with Adtran Networks, the Company has recast these revenues such that ADTRAN, Inc.'s former Access & Aggregation revenue is combined with a portion of the applicable Adtran Networks solutions to create Access & Aggregation Solutions, Adtran's former Subscriber Solutions & Experience revenue is combined with a portion of the applicable Adtran Networks solutions to create Subscriber Solutions, and the revenue from Traditional & Other products is now included in the applicable Access & Aggregation Solutions or Subscriber Solutions category. Optical Networking Solutions was added as a new revenue category to represent a meaningful portion of Adtran Networks' portfolio.

Our Subscriber Solutions portfolio is used by Service Providers to terminate their access services infrastructure at customers' premises while providing an immersive and interactive experience for residential, business and wholesale subscribers. This revenue category includes hardware- and software-based products and services. These solutions include fiber termination solutions for residential, business and wholesale subscribers, Wi-Fi access solutions for residential and business subscribers, Ethernet switching and network edge virtualization solutions for business subscribers, and cloud software solutions covering a mix of subscriber types.

Our Access & Aggregation Solutions are solutions that are used by communications Service Providers to connect residential subscribers, business subscribers and mobile radio networks to the Service Providers' metro network, primarily through fiber-based connectivity. This revenue category includes hardware- and software-based products and services. Our solutions within this category are a mix of fiber access and aggregation platforms, precision network synchronization and timing solutions, and access orchestration solutions that ensure highly reliable and efficient network performance.

Our Optical Networking Solutions are used by communications Service Providers, internet content providers and large-scale enterprises to securely interconnect metro and regional networks over fiber. This revenue category includes hardware- and software-based products and services. Our solutions within this category include open optical terminals, open line systems, optical subsystems and modules, network infrastructure assurance systems, and automation platforms that are used to build high-scale, secure and assured optical networks.

The following tables disaggregate our revenue by category for the years ended December 31, 2024, 2023 and 2022:

(In thousands)	2024		
	Network Solutions	Services & Support	Total
Subscriber Solutions	\$ 295,541	\$ 35,237	\$ 330,778
Access & Aggregation Solutions	232,934	58,072	291,006
Optical Networking Solutions	210,489	90,447	300,936
<b>Total</b>	<b>\$ 738,964</b>	<b>\$ 183,756</b>	<b>\$ 922,720</b>

(In thousands)	2023		
	Network Solutions	Services & Support	Total
Subscriber Solutions	\$ 263,192	\$ 34,516	\$ 297,708
Access & Aggregation Solutions	304,074	54,344	358,418
Optical Networking Solutions	407,123	85,851	492,974
<b>Total</b>	<b>\$ 974,389</b>	<b>\$ 174,711</b>	<b>\$ 1,149,100</b>

(In thousands)	2022		
	Network Solutions	Services & Support	Total
Subscriber Solutions	\$ 364,238	\$ 26,216	\$ 390,454
Access & Aggregation Solutions	326,934	47,068	374,002
Optical Networking Solutions	225,621	35,459	261,080
<b>Total</b>	<b>\$ 916,793</b>	<b>\$ 108,743</b>	<b>\$ 1,025,536</b>

#### Additional Information

The following table presents revenue information by geographic area for the years ended December 31, 2024, 2023 and 2022:

(In thousands)	2024	2023	2022
United States	\$ 398,170	\$ 460,985	\$ 517,433
United Kingdom	196,064	214,655	189,685
Germany	119,976	230,922	146,797
Other international	208,510	242,538	171,621
<b>Total</b>	<b>\$ 922,720</b>	<b>\$ 1,149,100</b>	<b>\$ 1,025,536</b>

Customers comprising more than 10% of revenue can change from year to year. The Company had one customer comprising more than 10% of revenue in 2024 at 12.1% and was included in both our Network Solutions and Services & Support segments. This customer accounted for \$111.8 million, \$126.0 million and \$106.3 million in revenues for the years ended December 31, 2024, 2023 and 2022, respectively. Single customers comprising more than 10% of revenue in 2023 included one customer at 10.4% and was included in both our Network Solutions and Services & Support segments. Single customers comprising more than 10% of revenue in 2022 included one customer at 18% and was included in both our Network Solutions and Services & Support segments. Other than those with more than 10% of revenue disclosed above, our next five largest customers can change, and have historically changed, from year-to-year. The next five largest customers combined represented 22%, 28% and 33% of total revenue in 2024, 2023 and 2022, respectively.

As of December 31, 2024, property, plant and equipment, net totaled \$106.5 million, which included \$46.3 million held in the U.S. and \$60.2 million held outside the U.S. As of December 31, 2023, property, plant and equipment, net totaled \$118.2 million, which included \$55.1 million held in the U.S. and \$63.1 million held outside the U.S. Property, plant and equipment, net is reported on a Company-wide, functional basis only.



## Note 17 – Liability for Warranty Returns

The liability for warranty obligations totaled \$4.5 million and \$6.4 million as of December 31, 2024 and 2023, respectively. These liabilities are included in accrued expenses and other liabilities and other non-current liabilities in the accompanying Consolidated Balance Sheets.

A summary of warranty expense and write-off activity for the years ended December 31, 2024, 2023 and 2022 is as follows:

(In thousands)	Year Ended December 31,		
	2024	2023	2022
<b>Balance at beginning of period</b>	<b>\$ 6,445</b>	<b>\$ 7,196</b>	<b>\$ 5,403</b>
Plus: Adtran Networks acquisition	—	—	3,756
Plus: Amounts charged to cost and expenses	1,772	2,952	3,104
Plus: Foreign currency translation adjustments	(119)	82	334
Less: Deductions	(3,586)	(3,784)	(5,401)
<b>Balance at end of period</b>	<b>\$ 4,512</b>	<b>\$ 6,445</b>	<b>\$ 7,196</b>

## Note 18 – Commitments and Contingencies

### *Legal Matters*

From time to time, the Company is subject to or otherwise involved in various lawsuits, claims, investigations and legal proceedings that arise out of or are incidental to the conduct of our business (collectively, “Legal Matters”), including those relating to employment matters, patent rights, regulatory compliance matters, stockholder claims, and contractual and other commercial disputes. Such Legal Matters, even if not meritorious, could result in the expenditure of significant financial and managerial resources. Additionally, an unfavorable outcome in a legal matter, including in a patent dispute, could require the Company to pay damages, entitle claimants to other relief, such as royalties, or could prevent the Company from selling some of its products in certain jurisdictions. The Company records an accrual for any Legal Matters that arise whenever it considers that it is probable that it is exposed to a loss contingency and the amount of the loss contingency can be reasonably estimated. Although the ultimate disposition of asserted claims cannot be predicted with certainty, it is our belief that the outcome of any such claims, either individually or on a combined basis, will not have a material adverse effect on our consolidated financial position.

### *DPLTA Appraisal Proceedings*

In addition to such Legal Matters, the Company is a party to appraisal proceedings relating to the DPLTA. The DPLTA provides that Adtran Networks shareholders (other than the Company) be offered, at their election, (i) to put their Adtran Networks shares to the Company in exchange for compensation in cash of €17.21 per share, plus guaranteed interest or (ii) to remain Adtran Networks shareholders and receive recurring cash compensation of €0.52 per share for each full fiscal year of Adtran Networks. The appraisal proceedings, which were initiated by certain minority shareholders of Adtran Networks, challenge the adequacy of both forms of compensation. While the Company believes that the compensation offered in connection with the DPLTA is fair, it notes that German courts often adjudicate increases of the cash compensation to plaintiffs in varying amounts in connection with German appraisal proceedings. Therefore, the Company cannot rule out that the first instance court or an appellate court may increase the cash compensation owed to the minority Adtran Networks shareholders. Given the stage of the appraisal proceedings, the Company is currently unable to predict the likely outcome or estimate the potential financial impact, if any, of the appraisal proceedings. If a ruling were to occur and be upheld upon appeal that required the Company to pay significant additional cash compensation to the Adtran Networks minority shareholders, there exists the possibility of a material adverse effect on our financial position and results of operations for the period in which the ruling occurs or future periods.

### *DPLTA Exit and Recurring Compensation Costs and the Absorption of Adtran Network's Annual Net Loss*

Pursuant to the terms of the DPLTA, each Adtran Networks shareholder (other than the Company) has received an offer to elect either (1) to remain an Adtran Networks shareholder and receive from us an Annual Recurring Compensation payment, or (2) to receive Exit Compensation plus guaranteed interest. The guaranteed interest under the Exit Compensation is calculated from the effective date of the DPLTA to the date the shares are tendered, less any Annual Recurring Compensation paid. The guaranteed interest rate is 5.0% plus a variable component (according to the German Civil Code) that was 3.37% as of December 31, 2024. Assuming all the minority holders of currently outstanding Adtran Networks shares were to elect the second option, we would be obligated to make aggregate Exit Compensation payments, including guaranteed interest, of approximately €333.2 million or approximately \$344.9 million, based on an exchange rate as of December 31, 2024 and reflecting interest accrued through December 31, 2024 during the pendency of the appraisal proceedings discussed below. Shareholders electing the first option of Annual Recurring Compensation may later elect the second option. The opportunity for outside Adtran Networks shareholders to tender Adtran Networks shares in exchange for Exit Compensation had been scheduled to expire on March 16, 2023. However, due to the appraisal proceedings that were initiated in 2023 in accordance with applicable German law, this time period for tendering shares has been extended pursuant to the German Stock Corporation Act (*Aktiengesetz*) and will end two months after the date on which a final decision in such appraisal proceedings has been published in the Federal Gazette (*Bundesanzeiger*). The Company expects to receive a ruling on a procedural matter in the DPLTA appraisal proceedings during the latter half of 2025 or 2026, which ruling, depending on outcome, will likely be appealed and may take 6-12 months to be decided on appeal. The Company does not expect that a trial on the merits of the DPLTA appraisal proceedings will commence until

the procedural matter has been resolved. The proceeding for the trial on the merits of the DPLTA will likely take a minimum of 12 months for a ruling and such ruling may likewise be appealed, which would be expected to take an additional 12-24 months to be resolved. Accordingly, the Company does not expect a final decision on the DPLTA appraisal proceedings to be rendered and published prior to 2027, and most likely not until 2028 or beyond.

Our obligation to pay Annual Recurring Compensation under the DPLTA is a continuing payment obligation, which will amount to approximately €8.9 million (or \$9.3 million based on the current exchange rate) per year assuming none of the minority Adtran Networks shareholders were to elect Exit Compensation. The foregoing amounts do not reflect any potential increase in payment obligations that we may have depending on the outcome of ongoing appraisal proceedings in Germany. The Annual Recurring Compensation is due on the third banking day following the ordinary general shareholders' meeting of Adtran Networks for the respective preceding fiscal year (but in any event within eight months following expiration of the fiscal year). With respect to the 2023 fiscal year, Adtran Networks' ordinary general shareholders' meeting occurred on June 28, 2024 and, therefore, the Annual Recurring Compensation was paid on July 3, 2024. With respect to the 2024 fiscal year, Adtran Networks' ordinary general shareholders meeting is scheduled for June 27, 2025 and, therefore, the Annual Recurring Compensation will be due on July 2, 2025. During the year ended December 31, 2024 and 2023, we accrued \$9.8 million and \$10.1 million, respectively, in Annual Recurring Compensation, which was reflected as an increase to retained deficit.

For the year ended December 31, 2024, approximately 831 thousand shares, of Adtran Networks stock were tendered to the Company. This resulted in total Exit Compensation payments of approximately €15.7 million, or approximately \$17.4 million, based on exchange rates at the time of the transactions, being paid to Adtran Networks shareholders. For the year ended December 31, 2023, 67 thousand shares, respectively, of Adtran Networks shares were tendered to the Company. This resulted in Exit Compensation payments of approximately €1.2 million, respectively, or approximately \$1.3 million, based on an exchange rate as of December 31, 2023, being paid to Adtran Networks shareholders.

In addition, under the DPLTA, subject to certain limitations pursuant to applicable law and the specific terms of the DPLTA, (i) the Company is entitled to issue binding instructions to the management board of Adtran Networks, (ii) Adtran Networks will transfer its annual profit to the Company, subject to, among other things, the creation or dissolution of certain reserves, and (iii) the Company will generally absorb the annual net loss incurred by Adtran Networks. The Company's payment obligation in satisfaction of the requirement that it absorb Adtran Networks' annual net loss applied for the first time to the net loss generated in 2023.

#### *Performance Bonds*

Certain contracts, customers and jurisdictions in which the Company do business require us to provide various guarantees of performance such as bid bonds, performance bonds and customs bonds. As of December 31, 2024 and December 31, 2023, the Company had commitments related to these bonds totaling \$15.7 million and \$10.8 million, respectively, which expire at various dates through April 2029. In general the Company would only be liable for the amount of these guarantees in the event of default under each contract, the probability of which the Company believes is remote.

#### *Purchase Obligations*

The Company purchases components from a variety of suppliers and use contract manufacturers to provide manufacturing services for our products. Our inventory purchase obligations are for short-term product manufacturing requirements, as well as for obligations to suppliers to secure manufacturing capacity. Certain of our inventory purchase obligations with contract manufacturers and suppliers relate to arrangements to secure supply and pricing for certain product components for multi-year periods. As of December 31, 2024, purchase obligations totaled \$202.5 million.

## Note 19 – Loss per Share

The calculations of basic and diluted loss per share for the years ended December 31, 2024, 2023 and 2022 are as follows:

<i>(In thousands, except for per share amounts)</i>	2024 (Restated)	2023 (Restated)	2022
<b>Numerator</b>			
Net loss attributable to ADTRAN Holdings, Inc.	\$ (459,891)	\$ (268,852)	\$ (2,037)
Effect of redemption of RNCI	2,981	—	—
Net loss attributable to ADTRAN Holdings, Inc. common stockholders	<u>\$ (456,910)</u>	<u>\$ (268,852)</u>	<u>\$ (2,037)</u>
<b>Denominator</b>			
Weighted average number of shares – basic	78,928	78,416	62,346
Effect of dilutive securities:			
Stock options	—	—	—
PSUs, RSUs and restricted stock	—	—	—
Weighted average number of shares – diluted	<u>78,928</u>	<u>78,416</u>	<u>62,346</u>
Loss per share attributable to ADTRAN Holdings, Inc. – basic	\$ (5.79)	\$ (3.43)	\$ (0.03)
Loss per share attributable to ADTRAN Holdings, Inc. – diluted	\$ (5.79)	\$ (3.43)	\$ (0.03)

For each of the years ended December 31, 2024, 2023 and 2022, less than 0.8 million, 0.5 million and 0.1 million shares of unvested or unearned, as applicable, PSUs, RSUs and restricted stock were excluded from the calculation of diluted loss per share due to their anti-dilutive effect.

For the years ended December 31, 2024, 2023 and 2022, 3.4 million, 1.8 million and 0.2 million stock options, respectively, were outstanding but were not included in the computation of diluted loss per share due to their exercise prices being greater than the average market price of the common shares during the quarter, making them anti-dilutive under the treasury stock method.

## Note 20 – Restructuring

During the fourth quarter of 2022, the Company initiated a restructuring program designed to optimize the assets, business processes, and information technology systems of the Company in relation to the Business Combination with Adtran Networks. The restructuring program included expenses specifically associated with achieving run-rate synergies as well as Business Efficiency Program expenses described below.

On November 6, 2023, due to the uncertainty around the current macroeconomic environment and its impact on customer spending levels, the Company's management decided to implement a business efficiency program ("Business Efficiency Program") targeting the reduction of ongoing operating expenses and focusing on capital efficiency inclusive of certain salary reductions, an early retirement program, a site consolidation plan to include lease impairments and the sale of owned real estate (including the sale of our headquarters), inventory write downs from product discontinuances, and the suspension of the quarterly dividend. The Business Efficiency Program expanded upon other recently implemented restructuring efforts and synergy costs following the Business Combination. For instance, on August 17, 2023, the Company's management determined to discontinue its copper-based Digital Subscriber Line broadband access technology products and its fixed wireless access products in its Network Solutions segment. Furthermore, on September 29, 2023, the Company's management decided to exit the "IoT" gateway market (indoor and outdoor), a subset of the broader IoT market (together with the other product discontinuations, the "Discontinuations"). On October 25, 2023, all employees were informed of certain personnel measures, which included the reduction of salary for select management, a reduction of approximately 5% of the workforce, an early retirement program and a hiring freeze. Additionally, on April 11, 2024, Management determined to close a facility in Greifswald, Germany which occurred in November 2024. As of December 31, 2024, the Company classified the Company's property, specifically the North and South Towers located on our Huntsville, Alabama campus, as assets held for sale, *see Note 1 and Note 6 of this report for additional information*. The Business Efficiency Program was substantially complete as of December 31, 2024.

During the years ended December 31, 2024 and 2023, we recognized \$44.7 million and \$25.1 of costs related to the Business Efficiency Program. The costs recognized during the year ended December 31, 2024, included total other renegotiated charges and inventory write-down of \$8.6 million as a result of a strategy shift which included discontinuance of certain items in connection with the Business

Efficiency Program, of which, \$4.1 million relates to inventory write-downs and \$4.5 million relates to other charges, and are included in cost of revenue in the Consolidated Statements of Loss.

For the years ended December 31, 2023 and 2022, we recognized \$21.5 million and \$1.6 million of restructuring costs relating to the Business Combination under the multi-year integration program and synergy realization, respectively, that are included in cost of revenue, selling, general and administrative expenses and research and development expenses in the Consolidated Statement of Loss.

A reconciliation of the beginning and ending restructuring liability, which is included in accrued wages and benefits and accrued expenses and other liabilities in the Consolidated Balance Sheets as of December 31, 2024 and 2023, is as follows:

<i>(In thousands)</i>	2024	2023
<b>Balance at beginning of period</b>	\$ 8,309	\$ 159
Plus: Amounts charged to cost and expense	40,545	22,241
Less: Amounts paid	(38,518)	(14,091)
<b>Balance at end of period</b>	<b>\$ 10,336</b>	<b>\$ 8,309</b>

Restructuring expenses included in the Consolidated Statements of Loss are for the years ended December 31, 2024, 2023 and 2022:

<i>(In thousands)</i>	2024	2023	2022
Network solutions - cost of revenue	\$ 3,693	\$ 2,910	\$ 8
Network solutions - inventory write-down	8,597	24,313	—
Services & support - cost of revenue	2,289	—	—
<b>Cost of revenue</b>	<b>\$ 14,579</b>	<b>\$ 27,223</b>	<b>\$ 8</b>
Selling, general and administrative expenses	9,128	11,603	117
Research and development expenses	20,973	7,728	1,504
<b>Total restructuring expenses</b>	<b>\$ 44,680</b>	<b>\$ 46,554</b>	<b>\$ 1,629</b>

The following table represents the components of restructuring expense by geographic area for the years ended December 31, 2024, 2023 and 2022:

<i>(In thousands)</i>	2024	2023	2022
United States	\$ 18,422	\$ 34,629	\$ 2
International	26,258	11,925	1,627
<b>Total restructuring expenses</b>	<b>\$ 44,680</b>	<b>\$ 46,554</b>	<b>\$ 1,629</b>

## Note 21 – Current Expected Credit Losses

Under ASC 326 – Financial Instruments – Credit Losses, the Company estimates credit losses for the contractual life of assets that are measured at amortized cost and are within the scope of this guidance, which includes accounts receivable, net investment in sales-type leases, contract assets under the revenue recognition model and outstanding notes receivable. Where appropriate, the Company pools assets if similar risk characteristics exist. Additionally, the Company analyzes its available-for-sale debt securities for impairment and records a credit loss allowance as needed.

### *Assets Measured at Amortized Cost*

#### *Accounts Receivable*

The Company records accounts receivable in the normal course of business as products are shipped or services are performed and invoiced, but payment has not yet been remitted by the customer. Accounts receivable balances are considered past due when payment has not been received by the date indicated on the relevant invoice or based on agreed upon terms between the customer and the Company. As of December 31, 2024 and 2023, the Company's net outstanding accounts receivable balance was \$178.0 million and \$209.7 million, respectively. The Company assessed the need for an allowance for credit losses related to its outstanding accounts receivable using the historical loss-rate method as well as assessing asset-specific risks. The Company's historical losses related to accounts receivable have been immaterial as evidenced by its historical allowance and write-offs due to collectability. The assessment of asset-specific risks included the evaluation of relevant available information, from internal and external sources, relating to current conditions that may affect a customer's ability to pay, such as the customer's current financial condition, credit rating by geographic location, as provided by a third party and/or by customer, if needed, and the overall macro-economic conditions in which the customer operates. The Company pooled assets by geographic location to determine if an allowance should be applied to its accounts receivable balance, assessing the specific country risk rating and overall economics of that particular country. If elevated risk existed, or customer specific risk indicated the accounts receivable balance was at risk, the Company further analyzed the need for an allowance related to specific accounts receivable balances. Additionally, the Company determined that significant changes to customer country risk rating from period-to-period and from the end of the prior year to the end of the current quarter would require further review and analysis by the Company.

Credit losses totaling \$1.3 million and \$0.4 million were recorded for the years ended December 31, 2024 and 2023, respectively, related to accounts receivable.

#### *Contract Assets*

The Company records contract assets when it has recognized revenue but has not yet billed the customer. As of December 31, 2024 and 2023, the Company's outstanding contract asset balance was \$0.6 million and \$0.7 million, respectively, which is included in other receivables on the Consolidated Balance Sheets. The Company assessed the need for an allowance for credit losses related to its outstanding contract assets using the historical loss-rate method as well as asset-specific risks. The Company's historical losses related to contract assets receivable have been immaterial as evidenced by historical write-offs due to collectability. Asset-specific risk included the evaluation of relevant available information, from internal and external sources, relating to current conditions that may affect a customer's ability to pay once invoiced, such as the customer's financial condition, credit rating by geographic location as provided by a third party and/or by customer, if needed, and the overall macro-economic conditions in which the customer operates. The Company pooled assets by geographic location to determine if an allowance should be applied to its contract asset balance, assessing the specific country risk rating and the overall economics of that particular country. If elevated risk existed, or customer specific risk indicated the contract balance was at risk, the Company further analyzed the need for an allowance related to specific customer balances. Additionally, the Company determined that significant changes to customer country risk rating from period-to-period and from the end of the prior year to the end of the current quarter would be subject to further review and analysis by the Company.

No allowance for credit losses was recorded for the years ended December 31, 2024 and 2023 related to contract assets.

#### *Off-Balance Sheet Arrangements*

We have exposure to credit losses from off-balance sheet exposures, to provide various guarantees of performance such as bid bonds, performance bonds and customs bonds, where we believe the risk of loss is immaterial to our financial statements as of December 31, 2024 and 2023, respectively. Otherwise, we do not have off-balance sheet financing arrangements and have not engaged in any related party transactions or arrangements with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of or requirements for capital resources. *See Note 18 of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report for additional information.*

#### *Available-for-Sale Debt Securities*

As of December 31, 2024 and 2023 the Company had sold all available-for-sale debt securities.

## Note 22 – Restatement of Quarterly Financial Information (Unaudited)

The following tables reflect the impact of the restatements to the specific line items presented in the Company's previously reported Condensed Consolidated Statement of Loss and the Condensed Consolidated Statement of Comprehensive Loss for the three months ended March 31, 2024, the three and six months ended June 30, 2024, the three and nine months ended September 30, 2024 and the three months ended December 31, 2024. The Company will restate its previously reported 2024 quarterly financial information based on the summary tables presented below in its future filings with the SEC, as applicable. As discussed in the 2024 Form 10-K, we had revised and planned to revise certain of our previously issued consolidated financial statements. As the condensed consolidated financial statements effectuating the revision for the March 31, 2024 and June 30, 2024 quarterly periods have not yet been reissued as of the date of filing this Form 10-K/A, the revision errors impacting these periods have been subsumed into the restatement of those condensed consolidated financial statements noted below. The impacts of the restatements on 2023 quarters to net loss were \$0.5 million, \$0.0 million, \$0.1 million and \$1.8 million for the first, second, third and fourth quarters, respectively.

		Three Months Ended March 31, 2024		
	Adj Reference	As Reported	Adjustment	As Restated
<b>Revenue</b>				
Network Solutions		\$ 181,273	\$ —	\$ 181,273
Services & Support		44,900	—	44,900
<b>Total Revenue</b>		<b>226,173</b>	<b>—</b>	<b>226,173</b>
<b>Cost of Revenue</b>				
Network Solutions	ADJ 3	126,326	1,940	128,266
Network Solutions - inventory write-down and other charges		8,782	—	8,782
Services & Support		18,810	—	18,810
<b>Total Cost of Revenue</b>		<b>153,918</b>	<b>1,940</b>	<b>155,858</b>
<b>Gross Profit</b>		<b>72,255</b>	<b>(1,940)</b>	<b>70,315</b>
Selling, general and administrative expenses		59,100	(109)	58,991
Research and development expenses		60,251	(36)	60,215
Goodwill impairment	ADJ 4	292,583	4,770	297,353
<b>Operating Loss</b>		<b>(339,679)</b>	<b>(6,565)</b>	<b>(346,244)</b>
Interest and dividend income		397	—	397
Interest expense		(4,598)	—	(4,598)
Net investment gain		2,253	—	2,253
Other income (expense), net		1,310	—	1,310
<b>Loss Before Income Taxes</b>		<b>(340,317)</b>	<b>(6,565)</b>	<b>(346,882)</b>
Income tax benefit		18,647	—	18,647
<b>Net Loss</b>		<b>\$ (321,670)</b>	<b>\$ (6,565)</b>	<b>\$ (328,235)</b>
<b>Less: Net Income (Loss) attributable to non-controlling interest<sup>(1)</sup></b>	<b>ADJ 1</b>	<b>2,880</b>	<b>(350)</b>	<b>2,530</b>
<b>Net Loss attributable to ADTRAN Holdings, Inc.</b>		<b>\$ (324,550)</b>	<b>\$ (6,215)</b>	<b>\$ (330,765)</b>
Weighted average shares outstanding – basic		78,814	78,814	78,814
Weighted average shares outstanding – diluted		78,814	78,814	78,814
Loss per common share attributable to ADTRAN Holdings, Inc. – basic		\$ (4.12)	\$ (0.08)	\$ (4.20)
Loss per common share attributable to ADTRAN Holdings, Inc. – diluted		\$ (4.12)	\$ (0.08)	\$ (4.20)
Net Loss		\$ (321,670)	\$ (6,565)	\$ (328,235)
<b>Other Comprehensive (Loss) Income, net of tax</b>				
Net unrealized gain on available-for-sale securities		—	—	—
Defined benefit plan adjustments		(60)	—	(60)
Foreign currency translation (loss) gain	ADJ 1, 3	(17,745)	(28)	(17,773)
<b>Other Comprehensive (Loss) Income, net of tax</b>		<b>(17,805)</b>	<b>(28)</b>	<b>(17,833)</b>
<b>Comprehensive Loss, net of tax</b>		<b>(339,475)</b>	<b>(6,593)</b>	<b>(346,068)</b>
<b>Less: Comprehensive Income attributable to non-controlling interest, net of tax</b>	<b>ADJ 1</b>	<b>2,880</b>	<b>(349)</b>	<b>2,531</b>
<b>Comprehensive Loss attributable to ADTRAN Holdings, Inc., net of tax</b>		<b>\$ (342,355)</b>	<b>\$ (6,244)</b>	<b>\$ (348,599)</b>

(1) For the three months ended March 31, 2024, we recognized \$2.5 million of net gain attributable to non-controlling interest, representing the recurring cash compensation earned by non-controlling interest shareholders post-DPLTA.

	Adj Reference	Three Months Ended June 30, 2024			Six Months Ended June 30, 2024		
		As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated
<b>Revenue</b>							
Network Solutions		\$ 179,194	\$ —	\$ 179,194	\$ 360,467	\$ —	\$ 360,467
Services & Support		46,797	—	46,797	91,697	—	91,697
<b>Total Revenue</b>		<b>225,991</b>	<b>—</b>	<b>225,991</b>	<b>452,164</b>	<b>—</b>	<b>452,164</b>
<b>Cost of Revenue</b>							
Network Solutions	ADJ 3	124,457	316	124,773	250,783	2,256	253,039
Network Solutions - Inventory Write Down		143	—	143	8,925	—	8,925
Services & Support		19,816	—	19,816	38,626	—	38,626
<b>Total Cost of Revenue</b>		<b>144,416</b>	<b>316</b>	<b>144,732</b>	<b>298,334</b>	<b>2,256</b>	<b>300,590</b>
<b>Gross Profit</b>		<b>81,575</b>	<b>(316)</b>	<b>81,259</b>	<b>153,830</b>	<b>(2,256)</b>	<b>151,574</b>
Selling, general and administrative expenses		59,493	(129)	59,364	118,593	(238)	118,355
Research and development expenses		60,388	(36)	60,352	120,639	(72)	120,567
Goodwill impairment		—	—	—	292,583	4,770	297,353
<b>Operating Loss</b>		<b>(38,306)</b>	<b>(151)</b>	<b>(38,457)</b>	<b>(377,985)</b>	<b>(6,716)</b>	<b>(384,701)</b>
Interest and dividend income		366	—	366	763	—	763
Interest expense		(6,906)	—	(6,906)	(11,504)	—	(11,504)
Net investment gain (loss)		872	—	872	3,125	—	3,125
Other income (expense), net		(901)	—	(901)	409	—	409
<b>Loss Before Income Taxes</b>		<b>(44,875)</b>	<b>(151)</b>	<b>(45,026)</b>	<b>(385,192)</b>	<b>(6,716)</b>	<b>(391,908)</b>
Income tax (expense) benefit		(2,136)	—	(2,136)	16,511	—	16,511
<b>Net Loss</b>		<b>\$ (47,011)</b>	<b>\$ (151)</b>	<b>\$ (47,162)</b>	<b>\$ (368,681)</b>	<b>\$ (6,716)</b>	<b>\$ (375,397)</b>
<b>Net Income (Loss) attributable to non-controlling interest <sup>(1)</sup></b>	<b>ADJ 1</b>	<b>2,854</b>	<b>(349)</b>	<b>2,505</b>	<b>5,734</b>	<b>(699)</b>	<b>5,035</b>
<b>Net Loss attributable to ADTRAN Holdings, Inc.</b>		<b>\$ (49,865)</b>	<b>\$ 198</b>	<b>\$ (49,667)</b>	<b>\$ (374,415)</b>	<b>\$ (6,017)</b>	<b>\$ (380,432)</b>
Weighted average shares outstanding – basic		78,852	78,852	78,852	78,803	78,803	78,803
Weighted average shares outstanding – diluted		78,852	78,852	78,852	78,803	78,803	78,803
Loss per common share attributable to ADTRAN Holdings, Inc. – basic		\$ (0.63)	\$ 0.00	\$ (0.63)	\$ (4.75)	\$ (0.08)	\$ (4.83)
Loss per common share attributable to ADTRAN Holdings, Inc. – diluted		\$ (0.63)	\$ 0.00	\$ (0.63)	\$ (4.75)	\$ (0.08)	\$ (4.83)
		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net Loss		\$ (47,011)	\$ (151)	\$ (47,162)	\$ (368,681)	\$ (6,716)	\$ (375,397)
<b>Other Comprehensive Loss, net of tax</b>							
Defined benefit plan adjustments		(7)	—	(7)	(67)	—	(67)
Foreign currency translation gain (loss)	ADJ 1, 3, 4	(1,375)	(67)	(1,442)	(19,120)	(95)	(19,215)
<b>Other Comprehensive Loss, net of tax</b>		<b>(1,382)</b>	<b>(67)</b>	<b>(1,449)</b>	<b>(19,187)</b>	<b>(95)</b>	<b>(19,282)</b>
<b>Comprehensive Loss, net of tax</b>		<b>(48,393)</b>	<b>(218)</b>	<b>(48,611)</b>	<b>(387,868)</b>	<b>(6,811)</b>	<b>(394,679)</b>
<b>Less: Comprehensive Income attributable to non-controlling interest</b>	<b>ADJ 1</b>	<b>2,854</b>	<b>(350)</b>	<b>2,504</b>	<b>5,734</b>	<b>(699)</b>	<b>5,035</b>
<b>Comprehensive Loss attributable to ADTRAN Holdings, Inc., net of tax</b>		<b>\$ (51,247)</b>	<b>\$ 132</b>	<b>\$ (51,115)</b>	<b>\$ (393,602)</b>	<b>\$ (6,112)</b>	<b>\$ (399,714)</b>

(1) For the three and six months ended June 30, 2024, we recognized \$2.5 million and \$5.0 million, respectively, net income attributable to non-controlling interest, representing the recurring cash compensation earned by non-controlling interest shareholders post-DPLTA.



		Three Months Ended September 30, 2024			Nine Months Ended September 30, 2024		
	Adj Reference	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated
<b>Revenue</b>							
Network Solutions		\$ 181,488	\$ —	\$ 181,488	\$ 541,955	\$ —	\$ 541,955
Services & Support		46,216	—	46,216	137,913	—	137,913
<b>Total Revenue</b>		<b>227,704</b>	<b>—</b>	<b>227,704</b>	<b>679,868</b>	<b>—</b>	<b>679,868</b>
<b>Cost of Revenue</b>							
Network Solutions	ADJ 3	126,103	2,217	128,320	376,886	4,473	381,359
Network Solutions - Inventory Write Down		(328)	—	(328)	8,597	—	8,597
Services & Support		16,678	—	16,678	55,304	—	55,304
<b>Total Cost of Revenue</b>		<b>142,453</b>	<b>2,217</b>	<b>144,670</b>	<b>440,787</b>	<b>4,473</b>	<b>445,260</b>
<b>Gross Profit</b>		<b>85,251</b>	<b>(2,217)</b>	<b>83,034</b>	<b>239,081</b>	<b>(4,473)</b>	<b>234,608</b>
Selling, general and administrative expenses		57,621	(71)	57,550	176,214	(309)	175,905
Research and development expenses		51,614	(37)	51,577	172,253	(109)	172,144
Goodwill impairment	ADJ 4	—	—	—	292,583	4,770	297,353
<b>Operating Loss</b>		<b>(23,984)</b>	<b>(2,109)</b>	<b>(26,093)</b>	<b>(401,969)</b>	<b>(8,825)</b>	<b>(410,794)</b>
Interest and dividend income		664	—	664	1,427	—	1,427
Interest expense		(5,679)	—	(5,679)	(17,183)	—	(17,183)
Net investment gain (loss)		1,382	—	1,382	4,507	—	4,507
Other income (expense), net		(850)	—	(850)	(441)	—	(441)
<b>Loss Before Income Taxes</b>		<b>(28,467)</b>	<b>(2,109)</b>	<b>(30,576)</b>	<b>(413,659)</b>	<b>(8,825)</b>	<b>(422,484)</b>
Income tax (expense) benefit		(390)	—	(390)	16,121	—	16,121
<b>Net Loss</b>		<b>\$ (28,857)</b>	<b>\$ (2,109)</b>	<b>\$ (30,966)</b>	<b>\$ (397,538)</b>	<b>\$ (8,825)</b>	<b>\$ (406,363)</b>
<b>Net Income attributable to non-controlling interest <sup>(1)</sup></b>		<b>2,382</b>	<b>—</b>	<b>2,382</b>	<b>7,417</b>	<b>—</b>	<b>7,417</b>
<b>Net Loss attributable to ADTRAN Holdings, Inc.</b>		<b>\$ (31,239)</b>	<b>\$ (2,109)</b>	<b>\$ (33,348)</b>	<b>\$ (404,955)</b>	<b>\$ (8,825)</b>	<b>\$ (413,780)</b>
Weighted average shares outstanding – basic		78,952	78,952	78,952	78,873	78,873	78,873
Weighted average shares outstanding – diluted		78,952	78,952	78,952	78,873	78,873	78,873
Loss per common share attributable to ADTRAN Holdings, Inc. – basic		\$ (0.36)	\$ (0.02)	\$ (0.38)	\$ (5.10)	\$ (0.11)	\$ (5.21)
Loss per common share attributable to ADTRAN Holdings, Inc. – diluted		(0.36)	(0.02)	(0.38)	(5.10)	(0.11)	(5.21)
					\$ —		\$ —
Net Loss		\$ (28,857)	\$ (2,109)	\$ (30,966)	\$ (397,538)	\$ (8,825)	\$ (406,363)
<b>Other Comprehensive Income (Loss), net of tax</b>							
Defined benefit plan adjustments		109	—	109	42	—	42
Foreign currency translation gain (loss)		18,988	(186)	18,802	(130)	(281)	(411)
<b>Other Comprehensive Income (Loss), net of tax</b>		<b>19,097</b>	<b>(186)</b>	<b>18,911</b>	<b>(88)</b>	<b>(281)</b>	<b>(369)</b>
<b>Comprehensive Loss, net of tax</b>		<b>(9,760)</b>	<b>(2,295)</b>	<b>(12,055)</b>	<b>(397,626)</b>	<b>(9,106)</b>	<b>(406,732)</b>
<b>Less: Comprehensive Income attributable to non-controlling interest</b>		<b>2,382</b>	<b>—</b>	<b>2,382</b>	<b>7,417</b>	<b>—</b>	<b>7,417</b>
<b>Comprehensive Loss attributable to ADTRAN Holdings, Inc., net of tax</b>		<b>\$ (12,142)</b>	<b>\$ (2,295)</b>	<b>\$ (14,437)</b>	<b>\$ (405,043)</b>	<b>\$ (9,106)</b>	<b>\$ (414,149)</b>

(1) For the three and nine months ended September 30, 2024, we accrued \$3.1 million and \$7.4 million, respectively, net income attributable to non-controlling interest, representing the recurring cash compensation earned by non-controlling interest shareholders post-DPLTA.



	Adj Reference	Three Months Ended December 31, 2024		
		As Reported	Adjustment	As Restated
<b>Revenue</b>				
Network Solutions		\$ 197,009	\$ —	\$ 197,009
Services & Support		45,843	—	45,843
<b>Total Revenue</b>		<b>242,852</b>	<b>—</b>	<b>242,852</b>
<b>Cost of Revenue</b>				
Network Solutions	ADJ 3	134,184	1,677	135,861
Network Solutions - Inventory Write Down		—	—	—
Services & Support		17,435	—	17,435
<b>Total Cost of Revenue</b>		<b>151,619</b>	<b>1,677</b>	<b>153,296</b>
<b>Gross Profit</b>		<b>91,233</b>	<b>(1,677)</b>	<b>89,556</b>
Selling, general and administrative expenses		57,155	(142)	57,013
Research and development expenses		49,210	104	49,314
Goodwill impairment		—	—	—
<b>Operating Loss</b>		<b>(15,132)</b>	<b>(1,639)</b>	<b>(16,771)</b>
Interest and dividend income		1,631	—	1,631
Interest expense		(4,870)	—	(4,870)
Net investment gain (loss)		(920)	—	(920)
Other income (expense), net		687	—	687
<b>Loss Before Income Taxes</b>		<b>(18,604)</b>	<b>(1,639)</b>	<b>(20,243)</b>
Income tax (expense) benefit	ADJ 4	(24,906)	1,445	(23,461)
<b>Net Loss</b>		<b>\$ (43,510)</b>	<b>\$ (194)</b>	<b>\$ (43,704)</b>
<b>Net Income attributable to non-controlling interest <sup>(1)</sup></b>		<b>2,407</b>	<b>—</b>	<b>2,407</b>
<b>Net Loss attributable to ADTRAN Holdings, Inc.</b>		<b>\$ (45,917)</b>	<b>\$ (194)</b>	<b>\$ (46,111)</b>
Weighted average shares outstanding – basic		79,091	79,091	79,091
Weighted average shares outstanding – diluted		79,091	79,091	79,091
Loss per common share attributable to ADTRAN Holdings, Inc. – basic		\$ (0.58)	\$ (0.00)	\$ (0.58)
Loss per common share attributable to ADTRAN Holdings, Inc. – diluted		\$ (0.58)	\$ (0.00)	\$ (0.58)
Net Loss		\$ (43,510)	\$ (194)	\$ (43,704)
<b>Other Comprehensive Income (Loss), net of tax</b>				
Defined benefit plan adjustments		1,437	—	1,437
Foreign currency translation gain (loss)	ADJ 3, 4	(37,917)	573	(37,344)
<b>Other Comprehensive Income (Loss), net of tax</b>		<b>(36,480)</b>	<b>573</b>	<b>(35,907)</b>
<b>Comprehensive Loss, net of tax</b>		<b>(79,990)</b>	<b>379</b>	<b>(79,611)</b>
<b>Less: Comprehensive Income attributable to non-controlling interest</b>		<b>2,407</b>	<b>—</b>	<b>2,407</b>
<b>Comprehensive Loss attributable to ADTRAN Holdings, Inc., net of tax</b>		<b>\$ (82,397)</b>	<b>\$ 379</b>	<b>\$ (82,018)</b>

(1) For the three months ended December 31, 2024 we accrued \$2.4 million of net income attributable to non-controlling interest, representing the recurring cash compensation earned by non-controlling interest shareholders post-DPLTA.

The following tables reflect the impact of the restatements to the specific line items presented in the Company's previously reported Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2024, the six months ended June 30, 2024 and the nine months ended September 30, 2024.

		Three Months Ended March 31, 2024		
	Adj Reference	As Reported	Adjustment	As Restated
<b>Cash flows from operating activities:</b>				
Net loss		\$ (321,670)	\$ (6,565)	\$ (328,235)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization		22,528	(138)	22,390
Goodwill Impairment	ADJ 4	292,583	4,770	297,353
Amortization of debt issuance cost		1,013	—	1,013
Gain on investments, net		(2,621)	—	(2,621)
Net loss on disposal of property, plant and equipment		150	—	150
Stock-based compensation expense		3,957	(3)	3,954
Deferred income taxes		(19,738)	—	(19,738)
Other, net		545	—	545
Inventory write down		3,992	—	3,992
Inventory reserves		1,837	—	1,837
Changes in operating assets and liabilities:				
Accounts receivable, net		26,002	(3,498)	22,504
Other receivables		5,605	—	5,605
Income taxes receivable, net	ADJ 4	(1,296)	4,735	3,439
Inventory		30,426	1,940	32,366
Prepaid expenses, other current assets and other assets		(15,882)	(3,408)	(19,290)
Accounts payable		553	—	553
Accrued expenses and other liabilities		7,459	3,494	10,953
Income taxes payable, net		1,155	—	1,155
<b>Net cash provided by (used in) operating activities</b>		<b>36,598</b>	<b>1,327</b>	<b>37,925</b>
<b>Cash flows from investing activities:</b>				
Purchases of property, plant and equipment		(12,183)	(1,327)	(13,510)
Purchases of intangibles - developed technology		(1,191)	—	(1,191)
Proceeds from sales and maturities of available-for-sale investments		873	—	873
Purchases of available-for-sale investments		(44)	—	(44)
<b>Net cash provided by (used in) investing activities</b>		<b>(12,545)</b>	<b>(1,327)</b>	<b>(13,872)</b>
<b>Cash flows from financing activities:</b>				
Tax withholdings related to stock-based compensation settlements		(176)	—	(176)
Proceeds from stock option exercises		219	—	219
Dividend payments		—	—	—
Proceeds from receivables purchase agreement		30,231	—	30,231
Repayments on receivables purchase agreement		(32,437)	—	(32,437)
Proceeds from draw on revolving credit agreements		—	—	—
Repayment of revolving credit agreements		—	—	—
Payment for redemption of redeemable non-controlling interest		(5)	—	(5)
Payment of debt issuance cost		(1,994)	—	(1,994)
Repayment of notes payable		—	—	—
<b>Net cash (used in) provided by financing activities</b>		<b>(4,162)</b>	<b>—</b>	<b>(4,162)</b>
Net increase in cash and cash equivalents		19,891	—	19,891
Effect of exchange rate changes		(301)	—	(301)
<b>Cash and cash equivalents, beginning of period</b>		<b>87,167</b>	<b>—</b>	<b>87,167</b>
<b>Cash and cash equivalents, end of period</b>		<b>\$ 106,757</b>	<b>\$ —</b>	<b>\$ 106,757</b>
Supplemental disclosure of cash financing activities:				
Cash paid for interest		\$ 5,243	\$ —	\$ 5,243
Cash paid for income taxes		\$ 2,315	\$ —	\$ 2,315
Cash used in operating activities related to operating leases		\$ 2,384	\$ —	\$ 2,384
Supplemental disclosure of non-cash investing activities:				
Right-of-use assets obtained in exchange for lease obligations		\$ 842	\$ —	\$ 842
Purchases of property, plant and equipment included in accounts payable		\$ 1,689	\$ —	\$ 1,689

		Six Months Ended June 30, 2024		
	Adj Reference	As Reported	Adjustment	As Restated
Cash flows from operating activities:				
Net Loss		\$ (368,681)	\$ (6,716)	\$ (375,397)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Depreciation and amortization		45,156	(313)	44,843
Goodwill Impairment	ADJ 4	292,583	4,770	297,353
Amortization of debt issuance cost		1,013	—	1,013
Gain on investments, net		(2,867)	—	(2,867)
Net loss on disposal of property, plant and equipment		185	—	185
Stock-based compensation expense		7,793	(6)	7,787
Deferred income taxes		(13,684)	—	(13,684)
Other, net		(126)	—	(126)
Inventory write down - business efficiency program		4,135	—	4,135
Inventory reserves		3,722	—	3,722
Changes in operating assets and liabilities:		—	—	—
Accounts receivable, net		26,913	(3,498)	23,415
Other receivables		6,279	—	6,279
Income taxes receivable, net		(5,653)	4,735	(918)
Inventory	ADJ 3	62,151	2,256	64,407
Prepaid expenses, other current assets and other assets		(14,731)	(3,408)	(18,139)
Accounts payable		(3,966)	—	(3,966)
Accrued expenses and other liabilities		19,152	3,493	22,645
Income taxes payable, net		(2,878)	—	(2,878)
Net cash provided by operating activities		56,496	1,313	57,809
Cash flows from investing activities:				
Purchases of property, plant and equipment		(23,644)	(1,327)	(24,971)
Purchases of intangibles - developed technology		(5,725)	—	(5,725)
Proceeds from sales and maturities of available-for-sale investments		956	—	956
Purchases of available-for-sale investments		(121)	—	(121)
Net cash used in investing activities		(28,534)	(1,327)	(29,861)
Cash flows from financing activities:				
Tax withholdings related to stock-based compensation settlements		(189)	—	(189)
Proceeds from stock option exercises		219	—	219
Dividend payments		—	—	—
Proceeds from receivables purchase agreement		68,556	—	68,556
Repayments on receivables purchase agreement		(66,399)	—	(66,399)
Proceeds from draw on revolving credit agreements		—	—	—
Repayment of revolving credit agreements		(5,000)	—	(5,000)
Payment for redemption of redeemable non-controlling interest		(25)	—	(25)
Payment of debt issuance cost		(1,994)	—	(1,994)
Repayment of notes payable		—	—	—
Net cash used in financing activities		(4,832)	—	(4,832)
Net increase in cash and cash equivalents		23,130	(14)	23,116
Effect of exchange rate changes		888	14	902
Cash and cash equivalents, beginning of period		87,167	—	87,167
Cash and cash equivalents, end of period		\$ 111,185	\$ —	\$ 111,185
Supplemental disclosure of cash financing activities:				
Cash paid for interest		\$ 6,554	\$ —	\$ 6,554
Cash paid for income taxes		\$ 7,433	\$ —	\$ 7,433
Cash used in operating activities related to operating leases		\$ 4,780	\$ —	\$ 4,780
Supplemental disclosure of non-cash investing activities:				
Right-of-use assets obtained in exchange for lease obligations		\$ 1,999	\$ —	\$ 1,999
Purchases of property, plant and equipment included in accounts payable		\$ 1,059	\$ —	\$ 1,059

		Nine Months Ended September 30, 2024		
	Adj Reference	As Reported	Adjustment	As Restated
<b>Cash flows from operating activities:</b>				
Net Loss		\$ (397,538)	\$ (8,825)	\$ (406,363)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Depreciation and amortization		68,421	(527)	67,894
Asset impairment		—	—	—
Goodwill impairment	ADJ 4	292,583	4,770	297,353
Amortization of debt issuance cost		1,013	—	1,013
(Accretion) amortization on available-for-sale investments, net		—	—	—
(Gain) loss on investments		(4,238)	—	(4,238)
Net loss on disposal of property, plant and equipment		203	—	203
Stock-based compensation expense		11,417	65	11,482
Deferred income taxes		(13,399)	—	(13,399)
Inventory write down		4,135	—	4,135
Inventory reserves		6,667	—	6,667
Other, net		(267)	—	(267)
Change in operating assets and liabilities:		—	—	—
Accounts receivable, net		59,446	—	59,446
Other receivables		4,875	—	4,875
Income taxes receivable		(5,682)	4,735	(947)
Inventory	ADJ 3	69,412	4,475	73,887
Prepaid expenses, other current assets and other assets		(20,083)	(2,081)	(22,164)
Accounts payable		9,697	—	9,697
Accrued expenses and other liabilities		15,039	(5)	15,034
Income taxes payable		(3,175)	—	(3,175)
<b>Net cash provided by operating activities</b>		<b>98,526</b>	<b>2,607</b>	<b>101,133</b>
<b>Cash flows from investing activities:</b>				
Purchases of property, plant and equipment		(28,514)	(2,654)	(31,168)
Purchases of intangibles - developed technology		(19,669)	—	(19,669)
Proceeds from sales and maturities of available-for-sale investments		1,195	—	1,195
Purchases of available-for-sale investments		(195)	—	(195)
Proceeds from beneficial interests in securitized accounts receivable		282	—	282
<b>Net cash used in investing activities</b>		<b>(46,901)</b>	<b>(2,654)</b>	<b>(49,555)</b>
<b>Cash flows from financing activities:</b>				
Tax withholdings related to stock-based compensation settlements		(189)	—	(189)
Proceeds from stock option exercises		219	—	219
Dividend payments		—	—	—
Proceeds from receivables purchase agreement		68,556	—	68,556
Repayments on receivables purchase agreement		(83,772)	—	(83,772)
Proceeds from draw on revolving credit agreements		—	—	—
Repayment of revolving credit agreements		(5,000)	—	(5,000)
Payment for redemption of redeemable non-controlling interest		(17,395)	—	(17,395)
Payment of annual recurring compensation to non-controlling interest		(10,084)	—	(10,084)
Payment of debt issuance cost		(1,994)	—	(1,994)
Repayment of notes payable		—	—	—
<b>Net cash provided by (used in) financing activities</b>		<b>(49,659)</b>	<b>—</b>	<b>(49,659)</b>
Net (decrease) increase in cash and cash equivalents		1,966	(47)	1,919
Effect of exchange rate changes		(677)	47	(630)
<b>Cash, cash equivalents and restricted cash, beginning of year</b>		<b>87,167</b>	<b>—</b>	<b>87,167</b>
<b>Cash, cash equivalents and restricted cash, end of year</b>		<b>\$ 88,456</b>	<b>\$ —</b>	<b>\$ 88,456</b>
Supplemental disclosure of cash financing activities				
Cash paid for interest		\$ 18,225	\$ —	\$ 18,225
Cash paid for income taxes, net of refunds		\$ 9,122	\$ —	\$ 9,122
Cash used in operating activities related to operating leases		\$ 7,380	\$ —	\$ 7,380
Supplemental disclosure of non-cash investing activities:				
Right-of-use assets obtained in exchange for lease obligations		\$ 2,122	\$ —	\$ 2,122
Purchases of property, plant and equipment included in accounts payable		\$ 952	\$ —	\$ 952
Redemption of redeemable non-controlling interest		\$ 2,976	\$ —	\$ 2,976

As it relates to the impact of the restatements to the specific line items presented in the Company's previously reported Condensed Consolidated Statements of Changes in Equity for the three months ended March 31, 2024 and June 30, 2024 Annual Recurring Compensation Earned changed by \$0.4 million and Foreign Currency Remeasurement of Redeemable Non-Controlling Interest changed by \$10.1 million and \$1.9 million for the three months ended March 31, 2024 and June 30, 2024, respectively. Net income also changed for each quarterly period to reflect the cumulative impacts of the restatements.

## **Note 23 – Subsequent Events (Unaudited)**

### *Exit Compensation Payments*

On April 14, 2025, 0.4 million shares of Adtran Networks stock were tendered to the Company and Exit Compensation payments of approximately €7.0 million or approximately \$7.5 million, based on the applicable exchange rate at the time of the transaction, was paid to Adtran Networks shareholders.

### *Fifth Amendment to Wells Fargo Credit Agreement*

On May 6, 2025, the Company, ADTRAN, Inc., and Adtran Networks entered into a fifth amendment to the Credit Agreement ("Amendment No. 5"). Amendment No. 5, together with a substantially concurrent prepayment by the German Borrower of outstanding revolving loans under the German Borrower Sublimit (as defined in the Amended Credit Agreement, which term includes Amendment No. 5 for the purposes of this note) in the amount of \$24.0 million, among other things, resulted in (i) a permanent partial reduction in the total commitments under the Amended Credit Agreement from \$374.0 million to \$350.0 million, (ii) a reduction of the German Borrower Sublimit from \$74.0 million to \$50.0 million, and (iii) a reduction of the German Commitment Reduction Threshold (as defined in the Amended Credit Agreement) to \$25.0 million. The lenders also waived certain events of default related to among others, inaccuracies in the financial statements that were previously delivered to the lenders by the Company with respect to the fiscal quarters ended June 30, 2024 and September 30, 2024, and breaches of the Consolidated Fixed Charge Coverage Ratio (as defined in the Amended Credit Agreement) financial covenant for the fiscal quarters ended June 30, 2024 and September 30, 2024.

## ***ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***

---

None.

### ***ITEM 9A. CONTROLS AND PROCEDURES***

---

#### *Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures that are designed to ensure that the information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the rules and forms promulgated by the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, an evaluation was carried out by management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that due to the material weaknesses in our internal control over financial reporting described below, our disclosure controls and procedures were not effective as of December 31, 2024.

#### *Management's Report on Internal Control over Financial Reporting(Restated)*

Management of ADTRAN Holdings, Inc. (“Adtran”) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Adtran’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Adtran’s internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Adtran;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Adtran are being made only in accordance with authorizations of management and directors of Adtran; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Adtran’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Adtran’s internal control over financial reporting as of December 31, 2024. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in *Internal Control-Integrated Framework*(2013).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. In its assessment of the effectiveness of internal control over financial reporting as of December 31, 2024, management determined that there were deficiencies in Adtran’s internal control over financial reporting that constituted material weaknesses that existed as of December 31, 2024. Such material weaknesses were as follows:

- Adtran did not design and maintain effective controls in response to the risks of material misstatement. Specifically, changes to existing controls or the implementation of new controls have not been sufficient to respond to changes to the risks of material misstatement to financial reporting. This material weakness contributed to the following additional material weaknesses:
- Adtran did not design and maintain effective controls over financial statement preparation, presentation and disclosure commensurate with its financial reporting requirements. Specifically, Adtran did not design and maintain effective controls over the presentation and disclosure of transactions, including non-controlling interest.
- Adtran did not design and maintain effective controls to address the initial application of complex accounting standards and accounting of non-routine, unusual or complex events and transactions. Specifically, Adtran did not design and maintain effective controls to timely analyze and account for (i) non-controlling interest and (ii) the receivable purchase and servicing agreement.

However, management has subsequently determined that the material weaknesses described below also existed as of December 31, 2024.

- Adtran did not design and maintain effective controls relating to communicating accurate information internally and with those charged with governance. This includes providing information pursuant to objectives, responsibilities and functions of internal control.
- Adtran did not design and maintain effective controls over an inventory suspense account. Specifically, certain inventory activity was not reviewed at a sufficient level of precision to identify the nature and aging of the individual inventory suspense account activity.

The material weaknesses resulted in the restatements and revisions of immaterial adjustments to our consolidated financial statements for the years ended December 31, 2022, December 31, 2023, and December 31, 2024, as well as the condensed consolidated financial statements for the quarterly and year-to-date periods ended September 30, 2022, March 31, 2023, June 30, 2023, September 30, 2023, March 31, 2024, June 30, 2024, and September 30, 2024. Additionally, these material weaknesses could result in misstatements of Adtran's accounts or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

In Management's Report on Internal Control over Financial Reporting included in Adtran's original Annual Report on Form 10-K for the year ended December 31, 2024, management concluded that Adtran did not maintain effective internal control over financial reporting as of December 31, 2024 because of the material weaknesses related to not (i) designing and maintaining effective controls in response to the risks of material misstatement; (ii) designing and maintaining effective controls over financial statement preparation, presentation and disclosure commensurate with its financial reporting requirements; and (iii) designing and maintaining effective controls to address the initial application of complex accounting standards and accounting of non-routine, unusual or complex events and transactions. However, management has subsequently determined that the material weaknesses related to not (i) designing and maintaining effective controls relating to communicating accurate information internally and with those charged with governance and (ii) designing and maintaining effective controls over an inventory suspense account also existed as of December 31, 2024. As a result, management has concluded that Adtran did not maintain effective internal control over financial reporting as of December 31, 2024. Management has restated its report on internal control over financial reporting to include these additional material weaknesses.

The effectiveness of Adtran's internal control over financial reporting as of December 31, 2024 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Item 8.

#### *Management's Remediation Efforts*

To remediate the material weaknesses in Adtran's internal control over financial reporting related to the risks of material misstatement, including financial statement preparation, presentation and disclosure of transactions and the non-controlling interest, Adtran has implemented a remediation plan that involves introducing new or enhanced controls over the review of Adtran's consolidated financial statements, global identification and reassessment of all key process and controls, increased training and awareness of control activities, and increased scrutiny on control performance and documentation standards. Adtran believes that the foregoing actions will support the improvement of the Company's internal control over financial reporting, and, through our efforts to identify, design, and implement the necessary control activities, will be effective in remediating such material weaknesses.

To remediate the material weaknesses in Adtran's internal control over financial reporting relating to accounting of non-routine, unusual or complex events and transactions for non-controlling interest and the receivable purchase and servicing agreement, Adtran has implemented a remediation plan that included designing and implementing new controls over the identification and review of contracts, transactions or arrangements that may result in a financial obligation including the use of an accounting third-party consultant as needed to ensure proper presentation of these items within our financial statements. These controls have been in place since the third quarter of 2024.

To remediate the material weakness relating to the communication of accurate information internally and with those charged with governance, Adtran plans to implement a remediation plan that includes the establishment of a cross-functional internal control and communication policy, the consolidation and refinement of reporting processes, the implementation of a centralized communication platform, enhanced internal control policies, training sessions for personnel on internal control expectations, and the strengthening of the internal audit function's role in testing the effectiveness of communication-related controls on a periodic basis.

To remediate the material weakness relating to maintaining effective controls over an inventory suspense account, Adtran plans to implement a remediation plan that includes the re-design of Adtran's reconciliation workflow for inventory and cost of goods sold accounts, enhanced ERP system configurations, customized reconciliation tools that provide exception-based reporting, training sessions for personnel on inventory and cost of goods sold recognition principles, enhanced review and oversight through a formal review process within an automated reconciliation tool and enhanced review procedures.

We have implemented certain of the above-referenced controls and are in the process of testing their effectiveness, and we both plan to initiate and have begun to initiate certain other controls. We will continue to devote significant time and attention to these remediation efforts. Adtran continues to evaluate and work to improve our internal control over financial reporting, management may decide to take additional measures to address the material weaknesses or determine to modify the remediation plans described above. Until the remediation steps set forth above, including the implementation of all necessary control activities that we identify, are fully completed, and there has been time for us to conclude through testing that the control activities are operating effectively, the material weaknesses described above will not be considered remediated.

*Changes in Internal Control over Financial Reporting*

There were no changes in Adtran's internal control over financial reporting that occurred during the most recent fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

***ITEM 9B. OTHER INFORMATION***

---

(a) None.

(b) During the fiscal quarter ended December 31, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

***ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS***

---

None.



## PART III

### ***ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE***

---

#### **Code of Ethics**

We have adopted a Code of Business Conduct and Ethics, which applies to all employees, officers and directors of ADTRAN. The Code of Business Conduct and Ethics meets the requirements of a "code of ethics" as defined by Item 406 of Regulation S-K, and applies to our Chief Executive Officer, Chief Financial Officer (who is both our principal financial and principal accounting officer), as well as all other employees, as indicated above. The Code of Business Conduct and Ethics also meets the requirements of a code of conduct under NASDAQ listing standards. The Code of Business Conduct and Ethics is posted on our website at [www.adtran.com](http://www.adtran.com) under the links "About – Investor Relations – Corporate Governance – Charters and Documents." We intend to disclose any amendments to the Code of Business Conduct and Ethics, as well as any waivers for executive officers or directors, on our website at [www.adtran.com](http://www.adtran.com). The information found on our website is not incorporated by reference in this report or any other report that we file or furnish to the SEC.

Certain information required by this Item regarding Adtran's executive officers is included in Part I of this report under the caption "Information about our Executive Officers" in accordance with the Instructions to Item 401 of Regulation S-K.

Other information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from Adtran's definitive Proxy Statement on Schedule 14A ("Schedule 14A") for the 2025 Annual Meeting of Stockholders filed with the SEC on March 31, 2025 (the "2025 Proxy Statement").

#### **Insider Trading Policy**

We have adopted the ADTRAN Holdings, Inc. Insider Trading Policy (the "Insider Trading Policy"), which applies to all directors, officers, employees, independent contractors, and consultants of the Company and its subsidiaries, as well as certain other persons. The Insider Trading Policy is designed to promote compliance with U.S. federal and state securities laws, rules and regulations, as well as European Regulation No. 596/2014 and the applicable rules and regulations of The Nasdaq Stock Market, LLC, with respect to the purchase, sale and/or disposition of the Company's securities (and the securities of other companies in certain circumstances). The Insider Trading Policy addresses the implementation of certain trading blackout periods in the Company's securities for Company insiders. A copy of the Insider Trading Policy is filed as Exhibit 19 to this 2024 Form 10-K/A.

### ***ITEM 11. EXECUTIVE COMPENSATION***

---

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the 2025 Proxy Statement ("2025 Proxy Statement") to be filed with the SEC pursuant to Regulation 14A.

As discussed under the heading "Explanatory Note", the Company has restated in this Amendment No. 1 its previously issued consolidated financial statements and related notes for years ended December 31, 2024 ("Fiscal 2024") and December 31, 2023 ("Fiscal 2023") and the unaudited consolidated financial statements contained within the Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2024, June 30, 2024 and September 30, 2024 (the "Restatements"). Pursuant to the ADTRAN Holdings, Inc. Policy for the Recovery of Erroneously Awarded Incentive Based Compensation (the "Clawback Policy"), the Company has reviewed the incentive-based compensation received by its officers (as defined in Rule 16a-1(f) under the Exchange Act) and determined that the only amounts potentially subject to recovery under the Clawback Policy are the annual cash incentives awarded under the Variable Incentive Cash Compensation ("VICC") program in respect of Fiscal 2024 (the "2024 cash bonuses"), which were subject to financial reporting measure-based vesting conditions that were achieved during Fiscal 2024. The Company did not award any VICC program bonuses to its officers in 2023 since the performance thresholds were not achieved during 2023. Consequently, the Company has determined that the Restatements did not result in the recoupment of any 2023 incentive compensation under the Clawback Policy.

With respect to the 2024 cash bonuses, the Company has determined that the Restatements resulted in a lower Adjusted EBIT, which was one of the financial reporting measures used to calculate the amount of such cash bonuses. As a result, a portion of the 2024 cash bonuses received by each of the officers was erroneously awarded and is subject to recovery under the Clawback Policy.

The aggregate dollar amount of erroneously awarded compensation has not yet been determined due to timing constraints caused by the proximity of the conclusion that the Company's financial statements for Fiscal 2023, Fiscal 2024, and the Interim 2024 Periods needed to be restated and the finalizing of this Amendment No. 1. The Company's Compensation Committee is undertaking an analysis to determine the aggregate dollar amount of erroneously awarded compensation as a result of the correction to the Company's financial statements for Fiscal 2024 and expects to disclose the information required in Item 402(w) of Regulation S-K in its next filing that is required to include such disclosure.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table provides information about our common stock that may be issued under all of our existing equity compensation plans as of December 31, 2024, which include the 2006 Employee Plan, the 2010 Directors Plan, the 2015 Employee Plan, the 2020 Employee Plan and the 2020 Directors Plan (collectively, the “Prior Plans”), the 2024 Employee Stock Incentive Plan (“2024 Employee Plan”) and the 2024 Directors Stock Plan (“2024 Directors Plan”) (collectively, the “Plans”). Each of the Plans has been approved by our stockholders.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)(1)	Weighted average exercise price of outstanding options, warrants and rights (b)(1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)(2)
<i>(In thousands)</i>			
<b>Plan Category</b>			
Equity compensation plans approved by stockholders	2,944	\$ 9.86	5,051
Equity compensation plans not approved by stockholders	—	—	—
<b>Total</b>	<b>2,944</b>	<b>\$ 9.86</b>	<b>5,051</b>

(1) Excludes 1.0 million of target PSUs and 2.2 million of time-based RSUs outstanding under our 2024 Employee Stock Incentive Plan and 0.1 million shares of time-based restricted stock outstanding under our 2024 Directors Plan. The outstanding stock options have a weighted average remaining term of 5.0 years.

(2) Represents 4.5 million shares of common stock available for future issuance pursuant to the 2024 Employee Plan and 0.6 million shares of common stock available for future issuance pursuant to the 2024 Directors Plan. Following the stockholders’ approval of the 2024 Employee Plan and the 2024 Directors Plan were approved by the stockholders, we are no longer making any future grants under the Prior Plans, but certain shares underlying awards that are forfeited, cancelled or terminated under the Prior Plans will again be available for issuance under the 2024 Employee Plan and the 2024 Directors Plan, as applicable.

The other information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the 2025 Proxy Statement.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the 2025 Proxy Statement.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the 2025 Proxy Statement.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

---

#### Documents Filed as Part of This Report.

##### 1. Consolidated Financial Statements

The consolidated financial statements of Adtran and the report of independent registered public accounting firm thereon are set forth under Part II, Item 8 of this report.

Consolidated Balance Sheets as of December 31, 2024 (Restated), and 2023 (Restated)

Consolidated Statements of Loss for the years ended December 31, 2024 (Restated), 2023 (Restated) and 2022

Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2024, (Restated) 2023 (Restated) and 2022

Consolidated Statements of Changes in Equity for the years ended December 31, 2024 (Restated), 2023 (Restated) and 2022

Consolidated Statements of Cash Flows for the years ended December 31, 2024 (Restated), 2023 (Restated) and 2022

Notes to Consolidated Financial Statements

##### 2. Consolidated Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

##### 3. Exhibits

The following exhibits are filed with or incorporated by reference in this report. Where such filing is made by incorporation by reference to a previously filed registration statement or report, such registration statement or report is identified in parentheses. We will furnish any exhibit upon request to: ADTRAN Holdings, Inc., Attn: Investor Relations, 901 Explorer Boulevard, Huntsville, Alabama 35806. There is a charge of \$0.50 per page to cover expenses for copying and mailing.

Effective as of July 8 2022, ADTRAN Holdings, Inc. became the successor to ADTRAN, Inc. Any reference to "ADTRAN, Inc." in these exhibits should be read as "ADTRAN Holdings, Inc." as set forth in the Exhibit List below.

Furthermore, effective June 8, 2023, ADVA Optical Networking SE ("ADVA"), a subsidiary of ADTRAN Holdings, Inc., changed its name to Adtran Networks SE. By operation of law, any reference to ADVA Optical Networking SE in these exhibits should be read as Adtran Networks SE as set forth in the Exhibit List below.

<b>Exhibit Number</b>	<b>Description</b>
---------------------------	--------------------

- |      |  |
|------|--|
| 2.1  | Business Combination Agreement, dated August 30, 2021, by and among ADTRAN Holdings, Inc., Acorn HoldCo, Inc., Acorn MergeCo, Inc. and Adtran Networks SE (incorporated by reference to Exhibit 2.1 to Adtran's Form 8-K filed August 30, 2021)  |
| 3.1  | Amended and Restated Certificate of Incorporation of ADTRAN Holdings, Inc. (incorporated by reference to Exhibit 3.1 to Adtran's Form 8-K filed July 8, 2022)  |
| 3.2  | Second Amended and Restated Bylaws of ADTRAN Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed October 24, 2023)  |
| 4.1* | Description of Securities (incorporated by reference to Exhibit 4.1 to the Company's Form 10-K filed March 3, 2025)  |
| 10.1 | Management Contracts and Compensatory Plans: <ul style="list-style-type: none"><li>(a) ADTRAN Holdings, Inc. 2006 Employee Stock Incentive Plan (incorporated by reference to Exhibit 4.1 to Adtran's Registration Statement on Form S-8 (File No. 333-133927) filed May 9, 2006)</li><li>(b) First Amendment to the ADTRAN Holdings, Inc. 2006 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.3(h) to Adtran's 2007 Form 10-K filed February 28, 2008)</li><li>(c) Form of Nonqualified Stock Option Agreement under the 2006 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 8, 2006)</li><li>(d) Form of Incentive Stock Option Agreement under the 2006 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed June 8, 2006)</li></ul> |

- (e) ADTRAN Holdings, Inc. 2015 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed May 15, 2015)
- (f) Form of Option Award Agreement under the ADTRAN Holdings, Inc. 2015 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.3(p) to the Company's Form 10-K filed February 25, 2020)
- (g) ADTRAN Holdings, Inc. Deferred Compensation Program for Employees, as amended and restated as of June 1, 2010 (incorporated by reference to Exhibit 10.3(n) to the Company's Form 10-K filed February 24, 2016)
- (h) ADTRAN Holdings, Inc. Deferred Compensation Program for Directors, as amended and restated as of June 1, 2010 (incorporated by reference to Exhibit 10.3(o) to the Company's Form 10-K filed February 24, 2016)
- (i) ADTRAN Holdings, Inc. Equity Deferral Program for Employees, as amended and restated as of October 1, 2011 (incorporated by reference to Exhibit 10.3(p) to the Company's Form 10-K filed February 24, 2016)
- (j) ADTRAN Holdings, Inc. Equity Deferral Program for Directors, as amended and restated as of October 1, 2011 (incorporated by reference to Exhibit 10.3(q) to the Company's Form 10-K filed February 24, 2016)
- (k) Amended and Restated ADTRAN Holdings, Inc. 2020 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1(t) to the Company's Form 10-K filed March 1, 2023)
- (l) Form of Notice Letter with respect to RSU and PSU awards under the ADTRAN Holdings, Inc. 2020 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.3 (ae) to the Company's Form 10-K filed February 26, 2021)
- (m) Form of Adtran Sales Incentive Compensation Program – General Terms (participants include James D. Wilson) (incorporated by reference to Exhibit 10.3(ad) to the Company's Form 10-K filed February 26, 2021)

- (n) Form of Market-Based Performance Stock Unit Agreement under the ADTRAN Holdings, Inc. 2020 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed May 6, 2021)
- (o) Form of Restricted Stock Unit Agreement under the ADTRAN Holdings, Inc. 2020 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed May 6, 2021)
- (p) Form of Performance Share Agreement (and Notice Letter) under the ADTRAN Holdings, Inc. 2020 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed May 6, 2021)
- (q) Form of Stock Option Award Agreement under the ADTRAN, Inc. 2020 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed December 5, 2023)
- (r) Summary of Terms of Assumed Options (incorporated by reference to Exhibit 4.1 to the Company's Form S-8 filed July 11, 2022)
- (s)(i) Employment Agreement, dated July 13, 2022, by and between Thomas R. Stanton and ADTRAN Holdings, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed July 15, 2022) ("CEO Employment Agreement")
- (s)(ii) First Amendment to the CEO Employment Agreement dated March 29, 2023 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed April 3, 2023).
- (t) Amended and Restated Variable Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed January 26, 2023)
- (u)\*† Form of 2025 Variable Incentive Compensation Plan Award Letter (incorporated by reference to Exhibit 10.1(u) to the Company's Form 10-K filed March 3, 2025)
- (v) † Form of 2023 Integration Award Agreement for ADTRAN Holdings, Inc. (incorporated by reference to Exhibit 10.1(ag) to the Company's Annual Report on Form 10-K filed March 1, 2023)
- (w) ADTRAN Holdings, Inc. 2024 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed May 9, 2024)
- (x) ADTRAN Holdings, Inc. 2024 Directors Stock Plan (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed May 9, 2024)
- (y)\* Form of Market-Based Performance Stock Unit Agreement under the ADTRAN Holdings, Inc. 2024 Employee Stock Incentive Plan (incorporated by reference to Exhibit 10.1(y) to the Company's Form 10-K filed on March 3, 2025)
- (z)\*\* Form of Restricted Stock Unit Agreement under the ADTRAN Holdings, Inc. 2024 Employee Stock Incentive Plan
- (aa)(i) Employment Agreement, dated January 28, 2015, and Amendment Nos. 1-9, by and between Adtran Networks SE and Ulrich Dopfer (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed March 30, 2023)
- (aa)(ii) Eighth Amendment, dated May 26, 2023 including Exhibit 1 thereto, to the Employment Agreement by and between Adtran Networks SE and Ulrich Dopfer (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 1, 2023)
- (aa)(iii) Ninth Amendment, dated December 4, 2023, to the Employment Agreement by and between Adtran Networks SE and Ulrich Dopfer (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed December 5, 2023)
- (aa)(iv) Tenth Amendment Employment Agreement, dated August 27, 2024, by and between Adtran Networks SE and Ulrich Dopfer (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed August 30, 2024)
- (bb)(i) Service Agreement, dated September 29, 2006 and Amendment Nos. 1-16, by and between Adtran Networks and Christoph Glingener (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed April 3, 2023)
- (bb)(ii) Seventeenth Amendment, dated March 28, 2023, to Service Agreement by and between Adtran Networks SE and Christoph Glingener (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed April 3, 2023)

- (bb)(iii) † Exhibit 1 to the Seventeenth Amendment, dated March 28, 2023 and executed May 31, 2023, to the Service Agreement by and between Adtran Networks SE and Christoph Glingener (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed June 1, 2023)
  - (bb)(iv) Eighteenth Amendment, dated December 4, 2023, to the Service Agreement by and between Adtran Networks SE and Christoph Glingener (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed December 5, 2023)
  - (bb)(v) † Nineteenth Amendment to Service Agreement, dated August 27, 2024, by and between Adtran Networks SE and Christoph Glingener (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed August 30, 2024)
  - (cc) Consulting Agreement, dated June 28, 2023, by and between ADTRAN Holdings, Inc. and Michael Foliano (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 28, 2023)
  - (dd) ADTRAN Holdings, Inc. Amended and Restated Clawback Policy (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed October 24, 2023)
  - (ee) Separation Agreement, dated December 4, 2023, by and between the Company and Ronald D. Centis (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed December 6, 2023)
- 
- 10.2+ Credit Agreement dated July 18, 2022, by and among ADTRAN Holdings, Inc. and ADTRAN, Inc. as borrowers, in favor of Wells Fargo Bank, National Association as lender (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed July 22, 2022)
  - 10.3+ First Amendment to Credit Agreement, dated August 9, 2023, by and between ADTRAN Holdings, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.7 to the Company's Form 10-Q filed August 14, 2023)
  - 10.4+ Second Amendment to Credit Agreement and First Amendment to Collateral Agreement, dated as of January 16, 2024, by and among ADTRAN Holdings, Inc., ADTRAN, Inc., Wells Fargo Bank, National Association, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed January 22, 2024)
  - 10.5 Third Amendment to Credit Agreement, dated as of March 12, 2024, by and among ADTRAN Holdings, Inc., ADTRAN, Inc., Wells Fargo Bank, National Association, and the lenders party thereto (incorporated by reference to Exhibit 10.5 to the Company's Form 10-K filed March 15, 2024)
  - 10.6 Fourth Amendment to Credit Agreement, dated as of June 4, 2024, by and among ADTRAN Holdings, Inc., ADTRAN, Inc., Adtran Networks SE, Wells Fargo Bank, National Association, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 10, 2024)
  - 10.7+ Collateral Agreement dated July 18, 2022, by and among ADTRAN Holdings, Inc., ADTRAN, Inc., and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed July 22, 2022)
  - 10.8 ADVA Domestic Collateral Agreement, dated as of June 4, 2024, by and among ADVA NA Holdings, Inc., Adtran Networks North America, Inc., and Adtran Networks SE, in favor of Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.6 to the Company's Form 8-K filed June 10, 2024)
  - 10.9 Guaranty Agreement dated July 18, 2022, by and between ADTRAN Holdings, Inc. and ADTRAN, Inc. in favor of Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed July 22, 2022)
  - 10.10 ADVA Guaranty Agreement, dated as of June 4, 2024 by and between ADVA NA Holdings, Inc., Adtran Networks North America, Inc., Adtran Networks (UK) Limited, in favor of Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.5 to the Company's Form 8-K filed June 10, 2024)
  - 10.11 Domination and Profit and Loss Transfer Agreement between ADTRAN Holdings, Inc. and Adtran Networks SE, dated November 30, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed December 5, 2022)
  - 10.12 Fifth Amendment to Credit Agreement and Waiver, by and between ADTRAN, Inc., Adtran Networks, SE and Wells Fargo Bank, National Association, dated May 6, 2025 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed May 12, 2025)

19*	ADTRAN Holdings, Inc. Insider Trading Policy (incorporated by reference to Exhibit 19 to the Company's Form 10-K filed March 3, 2025).
21*	Subsidiaries of Adtran (incorporated by reference to Exhibit 21 to the Company's Form 10-K filed March 3, 2025).
23**	Consent of PricewaterhouseCoopers LLP.
24*	Powers of Attorney (incorporated by reference to Exhibit 24 to the Company's Annual Report on Form 10-K filed March 1, 2023)
31**	Rule 13a-14(a)/15d-14(a) Certifications.
32**	Section 1350 Certifications.
97	ADTRAN Holdings, Inc. Policy for the Recovery of Erroneously Awarded Incentive Based Compensation (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed October 24, 2023)
101	The following financial statements from the Company's Annual Report on Form 10-K/A for the year ended December 31, 2024, formatted in inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Loss, (iii) Consolidated Statements of Comprehensive (Loss) Income, (iv) Consolidated Statements of Changes in Equity, (v) Consolidated Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements, and (vii) Schedule II – Valuation and Qualifying Accounts
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)

---

\* Furnished or filed with the Original Filing, as applicable

\*\* Furnished or filed herewith, as applicable

+ Schedules and exhibits omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish a copy of any omitted schedule or exhibit to the SEC upon request.

† Certain identified information has been excluded from these exhibits because it is not material and is the type of information that the Company customarily and actually treats as private and confidential. Redacted information is indicated by [ ] or [\*\*\*].

**ITEM 16. FORM 10-K SUMMARY**

Adtran has elected not to provide a summary of the information contained in this report at this time.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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 on this 20th day of May 2025.

**ADTRAN Holdings, Inc.**  
**(Registrant)**

By: /s/ Thomas R. Stanton  
Thomas R. Stanton  
Chief Executive Officer  
(Principal Executive Officer and Duly Authorized Officer)



**ADTRAN Holdings, Inc.**

**SCHEDULE II  
VALUATION AND QUALIFYING ACCOUNTS**

<i>(In thousands)</i>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs &amp; Expenses</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
<b><i>Year ended December 31, 2024 (Restated)</i></b>				
Allowance for Credit Losses	\$ 400	900	—	\$ 1,300
Deferred Tax Asset Valuation Allowance	\$ 86,567	29,217	90	\$ 115,694
<b><i>Year ended December 31, 2023</i></b>				
Allowance for Credit Losses	\$ 49	351	—	\$ 400
Deferred Tax Asset Valuation Allowance	\$ 5,201	81,590	224	\$ 86,567
<b><i>Year ended December 31, 2022</i></b>				
Allowance for Credit Losses	\$ —	49	—	\$ 49
Deferred Tax Asset Valuation Allowance	\$ 50,564	—	45,363	\$ 5,201



## **Corporate headquarters**

Adtran Holdings, Inc.  
901 Explorer Boulevard  
Huntsville, AL 35806  
USA

P.O. Box 140000  
Huntsville, AL 35814-4000

1 800 9ADTRAN  
1 256 963-8000  
1 256 963-8004 fax

[investor.relations@adtran.com](mailto:investor.relations@adtran.com)  
[www.adtran.com](http://www.adtran.com)