Second Quarter 2014 Financial Results Conference Call

July 30, 2014

Cautionary Note Regarding Forward-Looking Statements

The information in this presentation contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, which are subject to a number of risks and uncertainties. All statements other than statements of historical facts contained in this presentation, including statements in the sections “2H14 and FY14 Guidance,” “Annual Revenue Mix Profile,” “Driving Operating Leverage,” and “2015 Targets;” statements regarding our future results of operations and financial position, business strategy, plans and objectives of management for future operations and plans for future product development and manufacturing; and statements regarding the impact of the PT transaction on Sonus’ financial results, business performance and product offerings, are forward-looking statements. Without limiting the foregoing, the words “anticipates”, “believes”, “could”, “estimates”, “expects”, “expectations”, “intends”, “may”, “plans”, “seeks”, “projects” and other similar language, whether in the negative or affirmative, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, the timing of our recognition of revenues; economic conditions; our ability to recruit and retain key personnel; difficulties supporting our strategic focus on channel sales; difficulties retaining and expanding our customer base; difficulties leveraging market opportunities; the impact of restructuring activities; our ability to realize benefits from the NET and PT acquisitions; the effects of disruption from the PT transaction, making it more difficult to maintain relationships with employees, customers, business partners or government entities; the success implementing the integration strategies of NET and PT; litigation; actions taken by significant stockholders; difficulties providing solutions that meet the needs of customers; market acceptance of our products and services; rapid technological and market change; our ability to protect our intellectual property rights; our ability to maintain partner, reseller, distribution and vendor support and supply relationships; higher risks in international operations and markets; the impact of increased competition; currency fluctuations; changes in the market price of our common stock; and/or failure or circumvention of our controls and procedures. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We therefore caution you against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in these forward-looking statements are discussed in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” Part I, Item 3 “Quantitative and Qualitative Disclosures About Market Risk,” and Part II, Item 1A “Risk Factors” in the Company’s most recent Quarterly Report on Form 10-Q. Any forward-looking statement made by us in this presentation speaks only as of the date of this presentation. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Second Quarter 2014 Highlights

Ray Dolan, President & CEO

Q214 Highlights

1

Solid Financial Results

Strong Commercial Traction

2

3

Continued Shareholder-Friendly Return of Capital

Strong First Half 2014 Execution

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Solid Financial Results

- Total Revenue +9% vs. Q213
  - Growth-related revenue[1] +34%
- Channel 29% of product revenue
  - Highest contribution to-date
- Enterprise 20% of product revenue
- Gross Margin[2] +40 bps vs. Q213
- Operating Income Margin[2] +160 bps vs. Q213
- EPS[2] $0.02
  - 5th straight quarter of positive non-GAAP Earnings
- Strong Balance Sheet with ~$150M Cash and Marketable Securities

1) Growth-related revenue is primarily SBCs and DSCs, enablers of next-generation networks such as SIP and 4G/LTE; Legacy revenue is primarily Trunking and SS7 Signaling, enablers of older networks such as TDM and 3G.
2) Non-GAAP financial measures.

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Strong Commercial Traction

- Strong market interest for SBC 7000
  - Fastest time-to-revenue for new product in Company history
  - Selected by multiple Tier 1 SPs and leading NA Call Center Provider
- JITC certification received on SBC 5K
- Record customer growth
  - 798 total customers
  - 227 new customers (94% purchased growth-related solutions)
  - New Tier 1 win in APAC for SIP Trunking
- Reducing customer concentration
  - Top 5 Customers 40% of revenue, down from 47% in Q213

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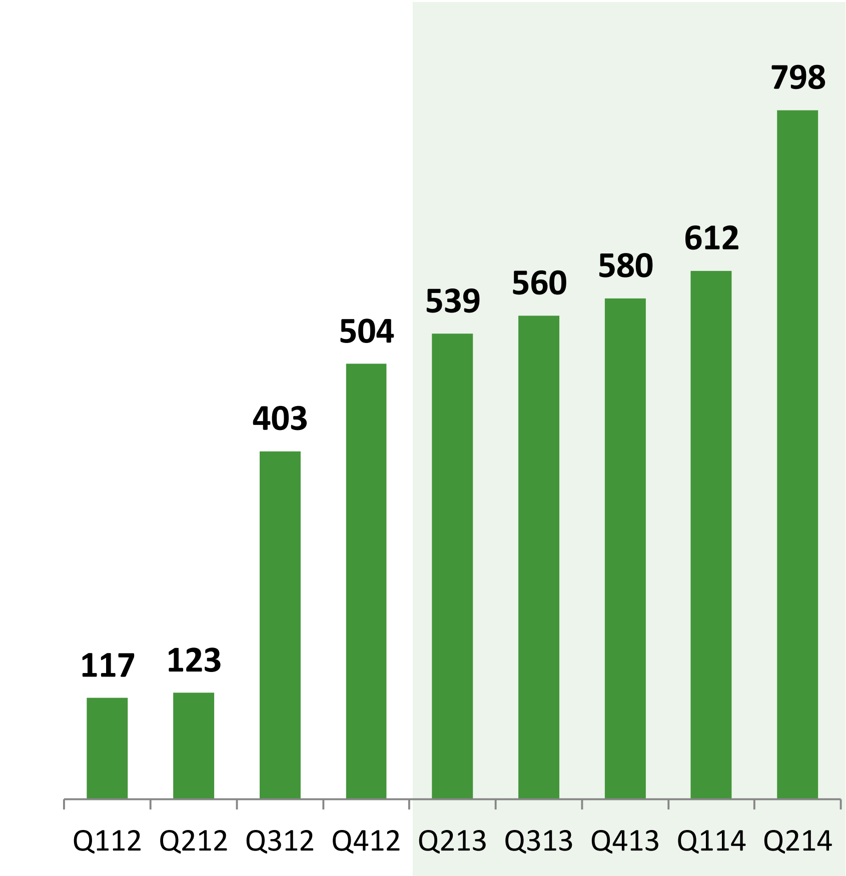
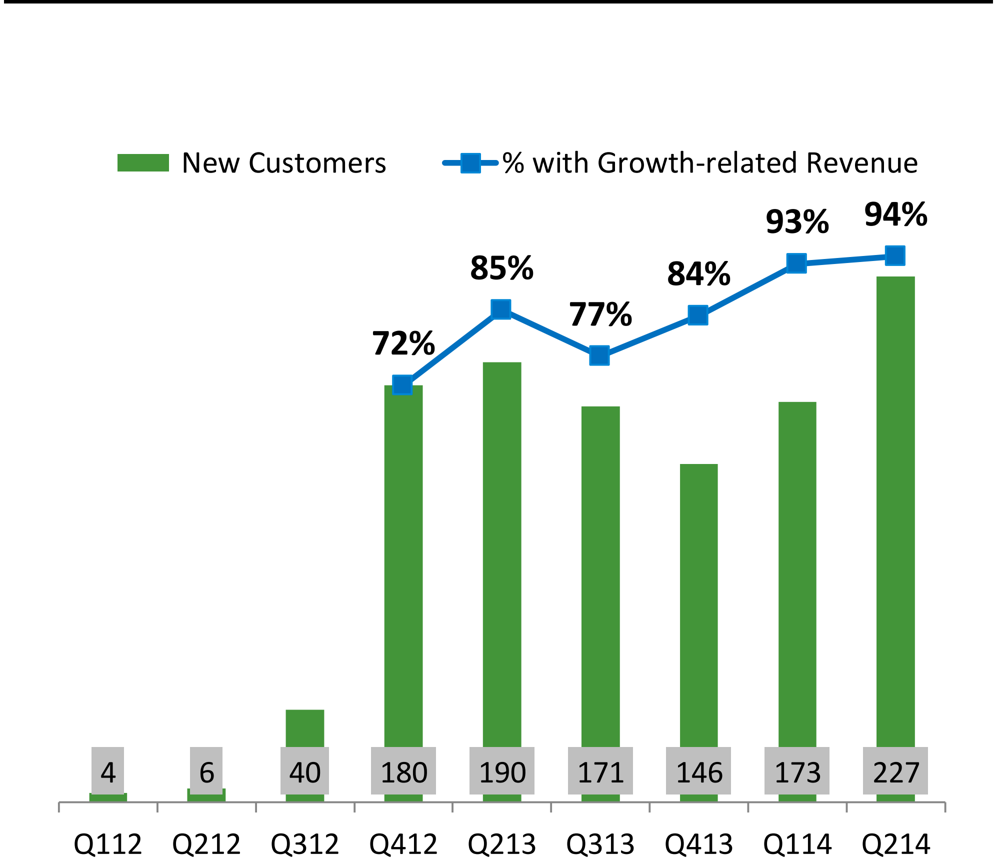
Strong Operational Execution

Total Customers

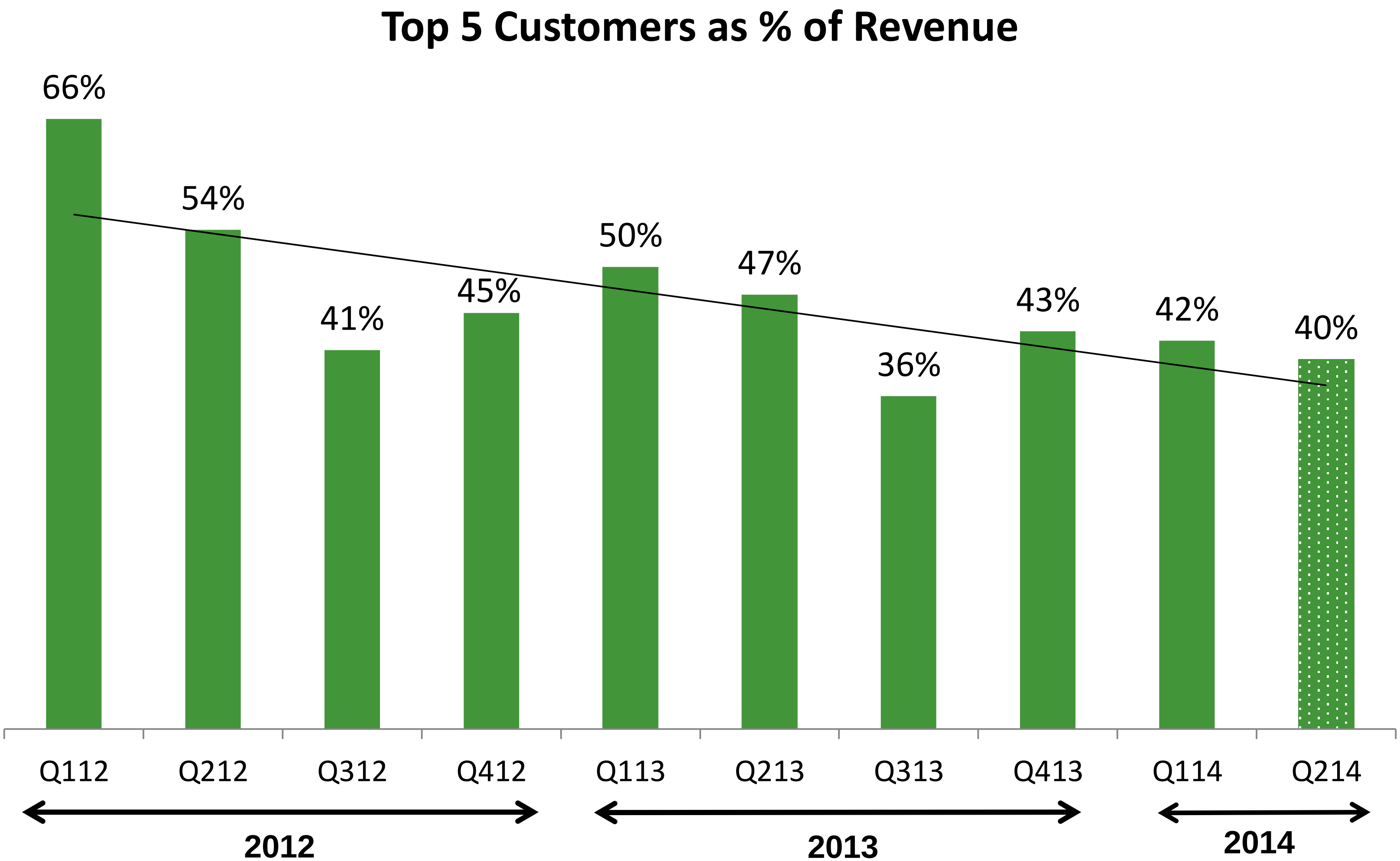


New Customers and % with Growth Revenue



Note: NET acquisition closed during Q312; Q412 onwards reflects the full impact of NET; PT acquisition closed during Q114; Q214 reflects the full impact of PT.
The percent of new customers with growth revenue was not provided prior to Q412.

Reducing Customer Concentration



Continued Shareholder-Friendly ROC

- Ongoing Stock Repurchase Plan
  - Repurchased 42.4M shares to-date, 15% of total shares outstanding as of June 28, 2013
  - Avg. price per share $3.37
- $32.5M remains available for future repurchases
- Reduced shareholder concentration
  - No shareholder >10%

Second Quarter 2014 Financial Results & Guidance

Mark Greenquist, CFO

Q214 Results Met/Beat Guidance

	Q214 Actual	Q214 Guidance[2]	Q213 Actual	*YoY Change*
Total Company Revenue	**$75.6M**	$73M to $75M	$69.2M	*+9%*
Growth-related Revenue	**$38.9M**	$33M to $35M	$29.0M	*+34%*
Gross Margin[1]	**65.2%**	65.0% to 65.5%	64.8%	*+40 bps*
Opex[1]	**$44.4M**	$45M to $46M	$41.5M	*+7%*
EPS[1]	**$0.02**	$0.01	$0.01	*+$0.01*
Total Diluted Shares	**250.2M**	251M	284.3M	*(34.1M)*

1) Non-GAAP financial measures.
2) Guidance as provided 4/24/14.

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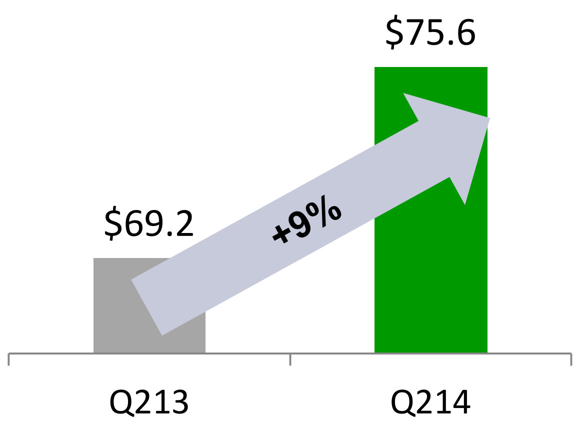
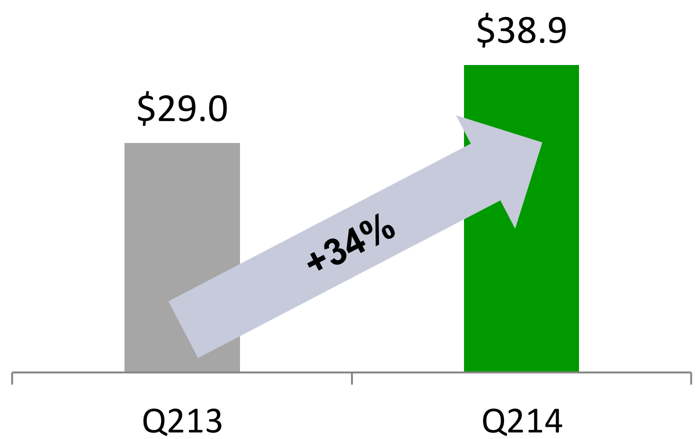
Q213 vs. Q214

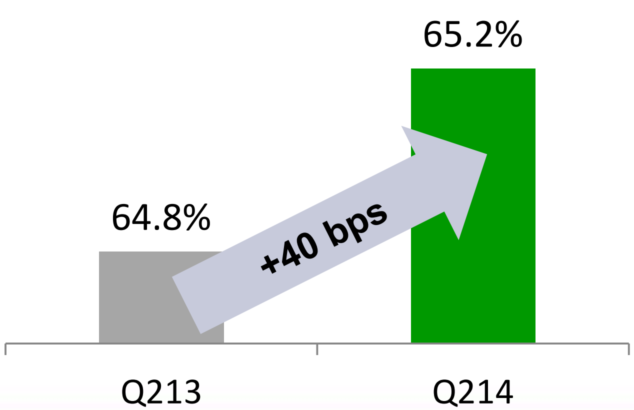
Total Revenue



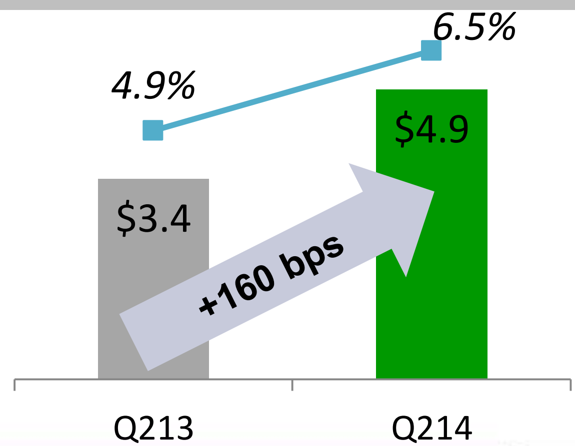
Total Growth Revenue



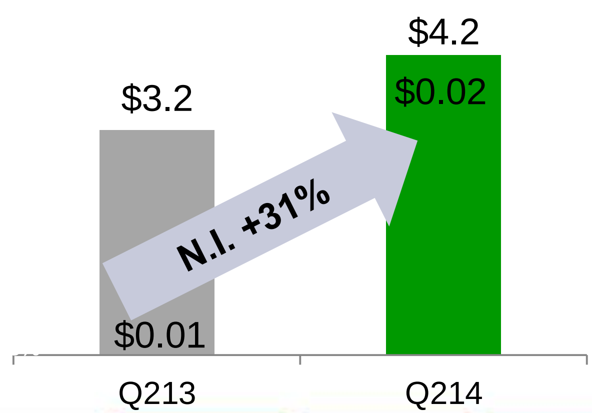
Gross Margin[1]



Op. Income & Op. Margin[1]



Net Income & EPS[1]



1) Non-GAAP financial measures.

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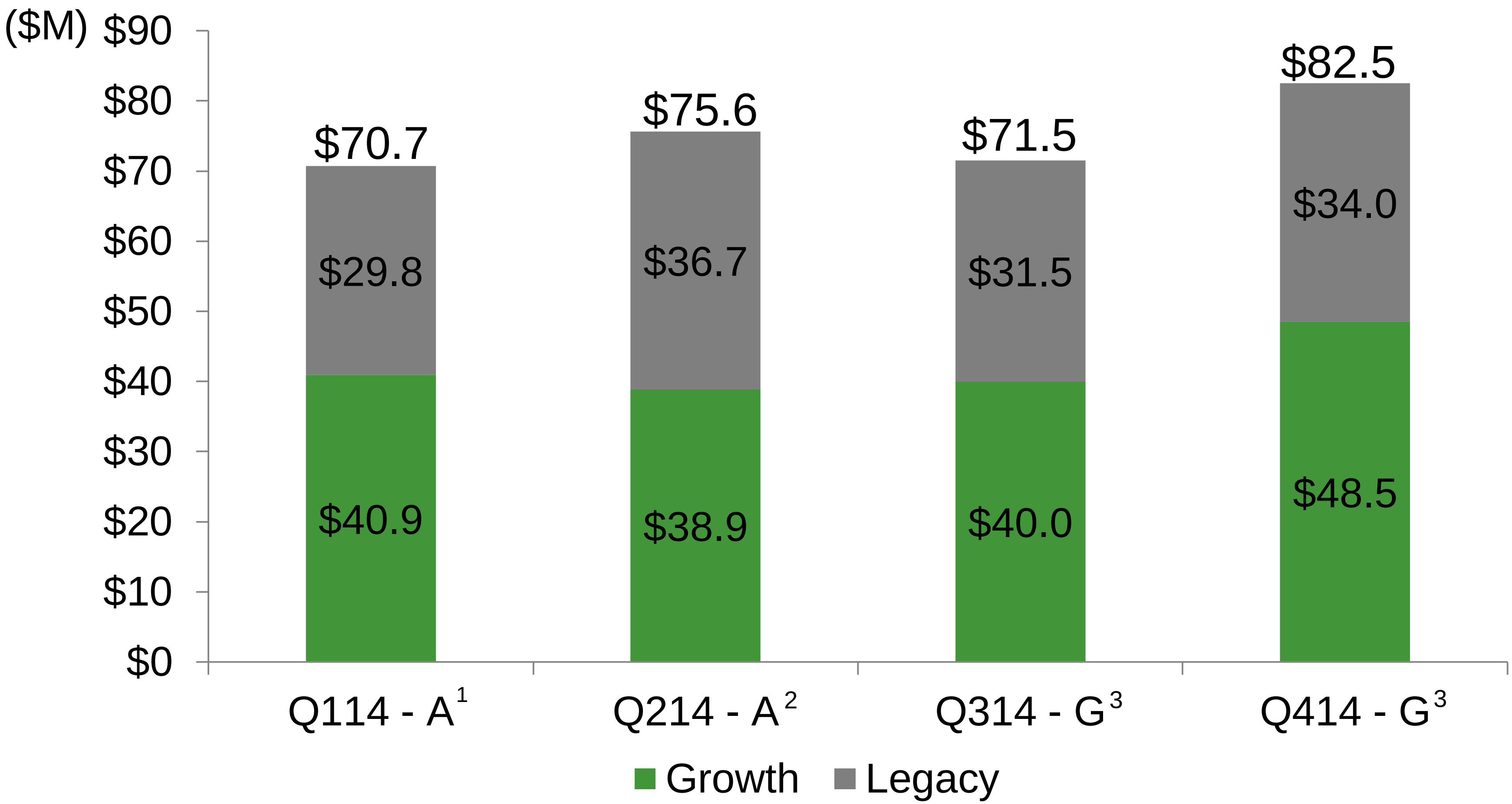
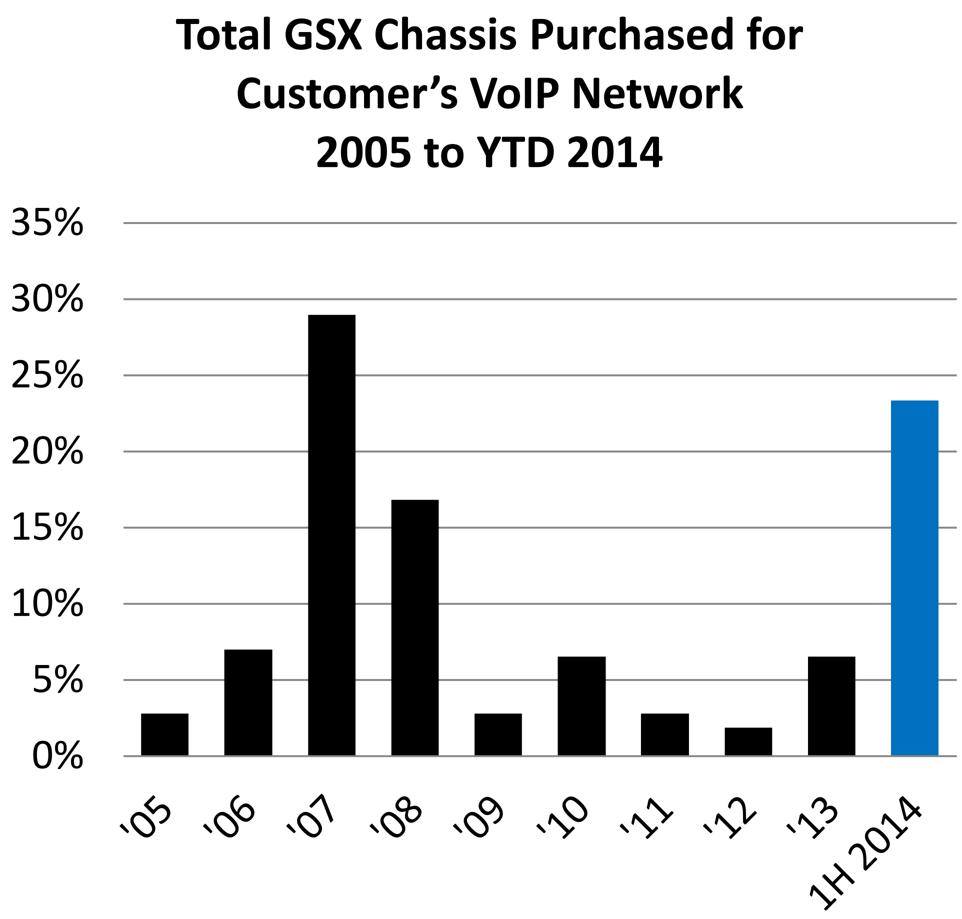
2014 Growth vs. Legacy Revenue



1) Q114 Growth revenue (where Growth-related revenue is primarily SBCs and DSCs, enablers of next-generation networks such as SIP and 4G/LTE) includes $6.6M originally attributed to Legacy revenue (where Legacy revenue is primarily Trunking and SS7 Signaling, enablers of older networks such as TDM and 3G); "A" refers to actual results.
2) Q214 Growth revenue includes $3.3M originally expected to be attributed to Legacy revenue at the time Q2 guidance was provided on 4/24/14.
3) Mid-point of guidance as provided 7/30/14; "G" refers to guidance.

Customer's Historical GSX Purchasing Pattern



- Significant uptick in 2014 purchasing pattern
  - Nearly 25% of customer's GSX chassis over past ten years purchased in the first 6 months of 2014
  - Customer's purchasing rationale is to enable faster transition to an all-IP network

Note: Bar graph refers to in period purchases of GSX chassis as a % of total GSX chassis purchased by the customer from 2005 to 1H 2014 for their VoIP network. Total of all periods equals 100%.

2H14 and FY14 Guidance

	Q314 Guidance	Q414 Guidance	FY14 Guidance[2]
Total Company Revenue	$70M to $73M	$81M to $84M	$300M
Growth-related Revenue	$39M to $41M	$47.5M to $49.5M	$168M
Gross Margin[1]	65% to 66%	Not provided	Not provided
Opex[1]	$44M to $45M	Not provided	Not provided
EPS[1]	$0.01	$0.03	$0.07
Total Diluted Shares	249M	248M	255M

1) Non-GAAP financial measures.
2) FY14 Total Company Revenue guidance of $300 million includes approximately $15 million from PT. FY14 Growth-related Revenue guidance of $168M includes approximately $3 million from PT DSC. FY14 EPS of $0.07 includes a projected loss of approximately $0.01 from PT.

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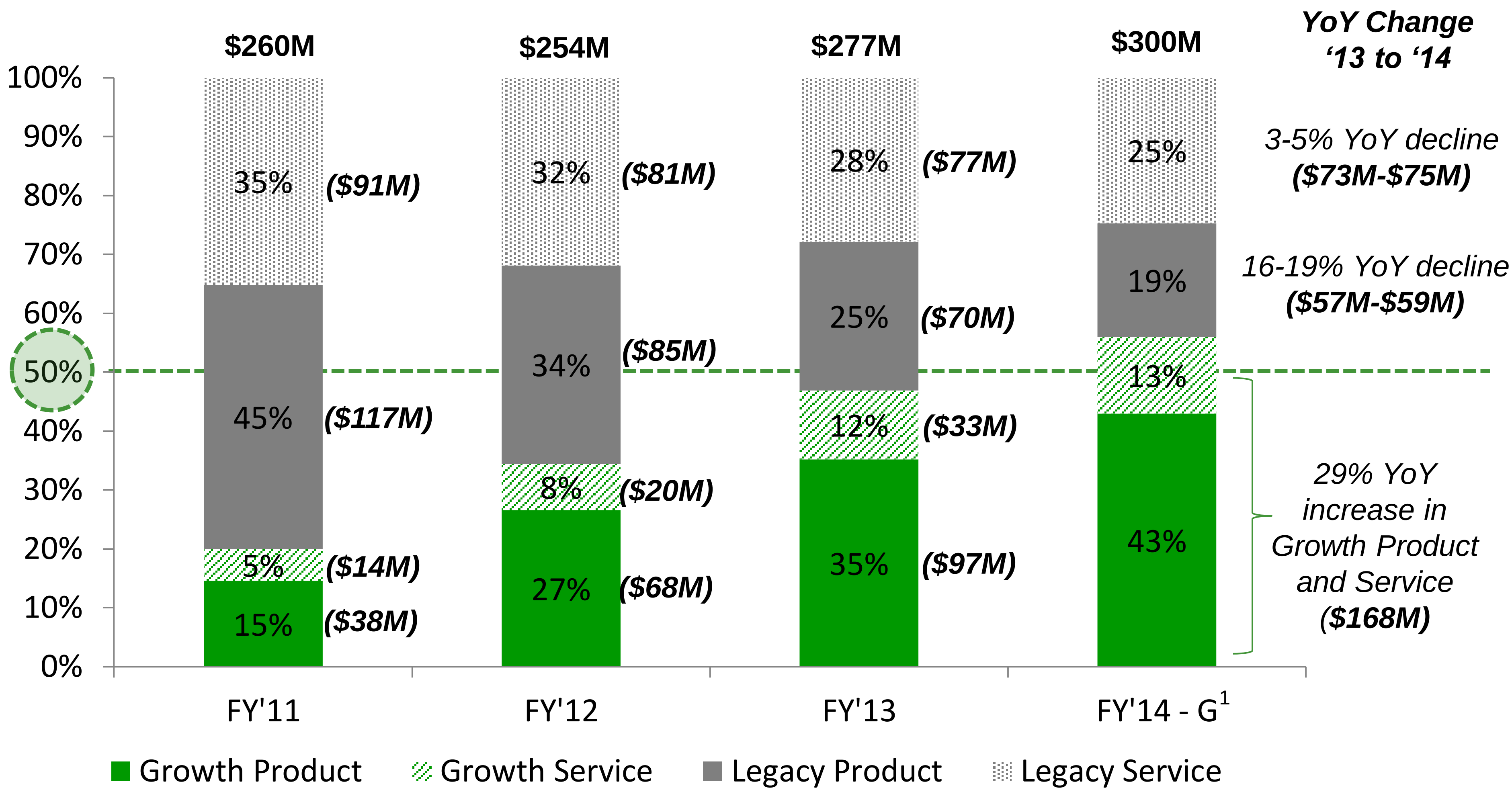
Annual Revenue Mix Profile



1) "FY'14 – G" refers to Guidance

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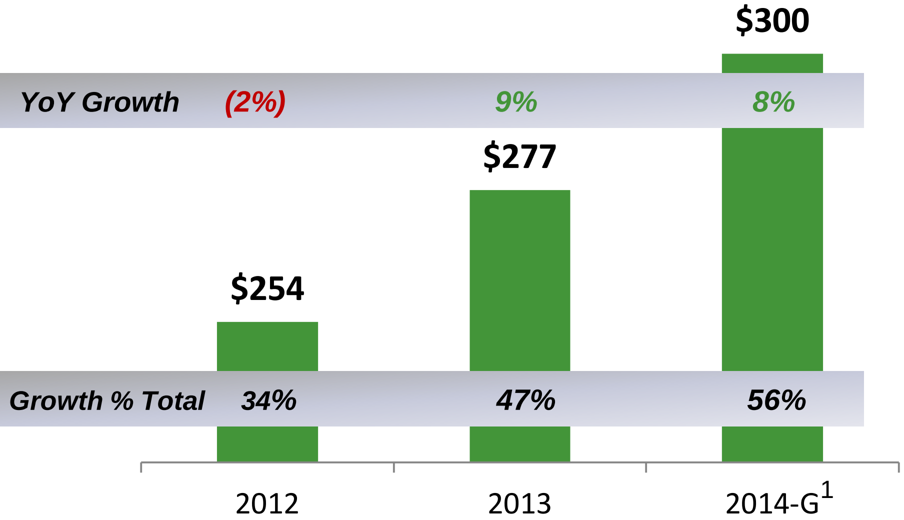
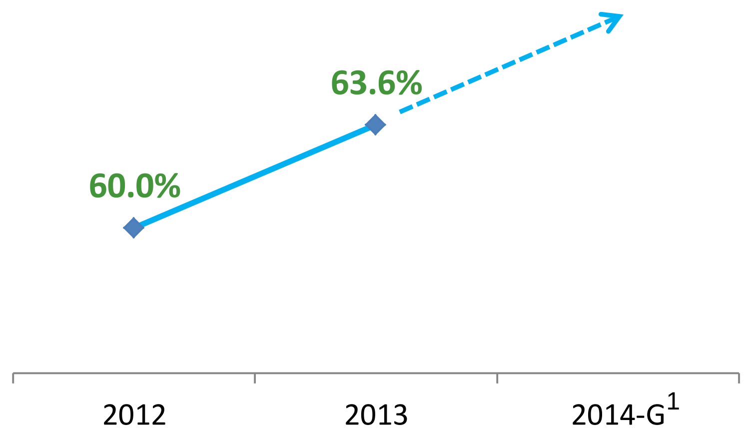
Driving Operating Leverage

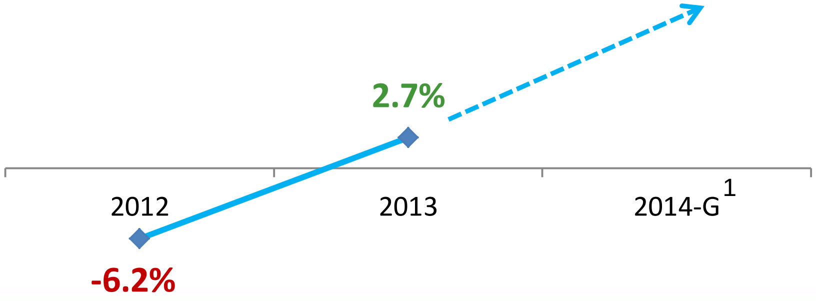
Revenue Growing ($M)



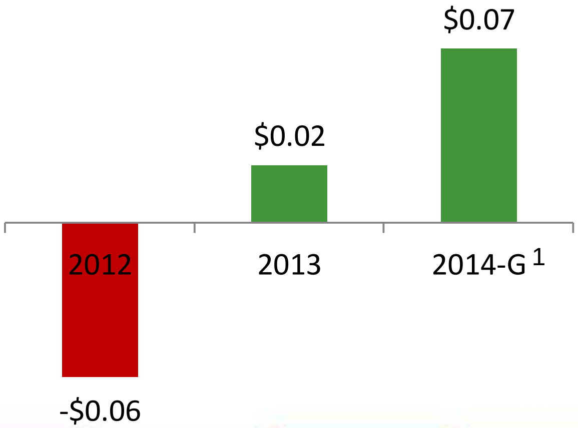
Gross Margins Expanding[2]



Operating Margins Expanding[2]



Earnings Growing[2]



1) "2014-G" refers to guidance.
2) Non-GAAP financial measures; please see appendix for reconciliation of non-GAAP to GAAP.

2015 Targets

10% Revenue Growth

10% Operating Income Margin

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Q&A

Upcoming Investor Conferences:

Pacific Crest Global Technology Leadership Forum, August 11-12, Vail
Oppenheimer Tech, Internet and Communications, August 13, Boston

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Non-GAAP to GAAP Reconciliation
Q2'14 and Q2'13 Actuals

Actuals - Three months ended June 27, 2014 and June 28, 2013

	Three months ended June 27, 2014	Three months ended June 28, 2013
GAAP total gross margin	62.6%	63.6%
Stock-based compensation expense	0.7%	0.4%
Amortization of intangible assets	0.9%	0.8%
Fair value write-up of acquired inventory	1.0%	0.0%
Non-GAAP total gross margin	65.2%	64.8%
GAAP operating expenses (in thousands)	$ 52,089	$ 48,641
Stock-based compensation expense	(6,422)	(4,258)
Amortization of intangible assets	(505)	(626)
Impairment of intangible assets	-	(600)
Divestiture costs	(405)	-
Restructuring	(391)	(1,698)
Non-GAAP operating expenses	$ 44,366	$ 41,459
GAAP loss from operations (in thousands)	$ (4,801)	$ (4,633)
Fair value write-up of acquired inventory	803	-
Stock-based compensation expense	6,938	4,540
Amortization of intangible assets	1,178	1,186
Impairment of intangible assets	-	600
Divestiture costs	405	-
Restructuring	391	1,698
Non-GAAP income from operations	$ 4,914	$ 3,391
GAAP loss from operations as a percentage of revenue (operating margin)	(6.4%)	(6.7%)
Fair value write-up of acquired inventory	1.1%	0.0%
Stock-based compensation expense	9.2%	6.5%
Amortization of intangible assets	1.6%	1.7%
Impairment of intangible assets	0.0%	0.9%
Divestiture costs	0.5%	0.0%
Restructuring	0.5%	2.5%
Non-GAAP income from operations as a percentage of revenue (operating margin)	6.5%	4.9%

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Non-GAAP to GAAP Reconciliation (continued)
Q2'14 and Q2'13 Actuals

Actuals - Three months ended June 27, 2014 and June 28, 2013 (continued)

	Three months ended June 27, 2014		Three months ended June 28, 2013	
GAAP net loss (in thousands)	$	(5,497)	$	(4,870)
Fair value write-up of acquired inventory		803		-
Stock-based compensation expense		6,938		4,540
Amortization of intangible assets		1,178		1,186
Impairment of intangible assets		-		600
Divestiture costs		405		-
Restructuring		391		1,698
Non-GAAP net income	$	4,218	$	3,154
Diluted earnings per share or (loss) per share				
GAAP	$	(0.02)	$	(0.02)
Non-GAAP	$	0.02	$	0.01
Shares used to compute diluted earnings per share or (loss) per share (in thousands)				
GAAP shares used to compute loss per share		247,120		282,389
Non-GAAP shares used to compute diluted earnings per share		250,154		284,298

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Non-GAAP to GAAP Reconciliation (continued)
Q2'14 Guidance (provided April 24, 2014)

Guidance - Three months ended June 27, 2014
As published April 24, 2014

	Three months ended June 27, 2014	
	Range	
Revenue (in millions)	$ 73	$ 75
Gross margin		
GAAP outlook	61.9%	62.5%
Stock-based compensation	0.5%	0.5%
Amortization of intangible assets	1.0%	0.9%
Fair value write-up of acquired inventory	1.6%	1.6%
Non-GAAP outlook	65.0%	65.5%
Operating expenses (in millions)		
GAAP outlook	$ 52.1	$ 53.1
Stock-based compensation	(5.6)	(5.6)
Amortization of intangible assets	(0.5)	(0.5)
Restructuring	(1.0)	(1.0)
Non-GAAP outlook	$ 45.0	$ 46.0
Earnings (loss) per share		
GAAP outlook	$ (0.01)	$ (0.01)
Stock-based compensation expense	0.02	0.02
Amortization of intangible assets	*	*
Fair value write-up of acquired inventory	*	*
Restructuring	*	*
Non-GAAP outlook	$ 0.01	$ 0.01

* Less than $0.01 impact on earnings per share.

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Non-GAAP to GAAP Reconciliation (continued)
Q3'14 Guidance

Guidance - Three months ending September 26, 2014
As published July 30, 2014

	Three months ending September 26, 2014	
	Range	
Revenue (in millions)	$ 70	$ 73
Gross margin		
GAAP outlook	63.0%	64.1%
Fair value write-up of inventory	0.3%	0.3%
Stock-based compensation	0.7%	0.7%
Amortization of intangible assets	1.0%	0.9%
Non-GAAP outlook	65.0%	66.0%
Operating expenses (in millions)		
GAAP outlook	$ 51.1	$ 52.1
Stock-based compensation	(6.6)	(6.6)
Amortization of intangible assets	(0.5)	(0.5)
Non-GAAP outlook	$ 44.0	$ 45.0
Earnings (loss) per share		
GAAP outlook	$ (0.02)	$ (0.02)
Fair value write-up of inventory	*	*
Stock-based compensation expense	0.03	0.03
Amortization of intangible assets	*	*
Non-GAAP outlook	$ 0.01	$ 0.01

* Less than $0.01 impact on earnings per share.

Non-GAAP to GAAP Reconciliation (continued)
Q4'14 and FY'14 Guidance

Guidance - Three months and Year ending December 31, 2014
As published July 30, 2014

	Three months ended December 31, 2014	
	Range	
Revenue (in millions)	$ 81	$ 84
Earnings (loss) per share		
GAAP outlook	$ -	$ -
Fair value write-up of inventory	*	*
Stock-based compensation expense	0.03	0.03
Amortization of intangible assets	*	*
Acquisition-related	*	*
Non-GAAP outlook	$ 0.03	$ 0.03

	Year ending December 31, 2014		
	Sonus	PT	Combined
Revenue (in millions)	$ 285	$ 15	$ 300
Earnings (loss) per share			
GAAP outlook	$ (0.06)	$ (0.01)	$ (0.07)
Fair value write-up of inventory	0.01	*	0.01
Stock-based compensation expense	0.11	*	0.11
Amortization of intangible assets	0.02	*	0.02
Acquisition-related	*	*	*
Restructuring	0.01	*	0.01
Litigation settlement - prepaid licenses	(0.01)	*	(0.01)
Non-GAAP outlook	$ 0.08	$ (0.01)	$ 0.07

* Less than $0.01 impact on earnings per share.

Discussion of Non-GAAP Financial Measures

Sonus management uses a number of different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of the business, making operating decisions, planning and forecasting future periods, and determining payments under compensation programs. Our annual financial plan is prepared both on a GAAP and non-GAAP basis, and the non-GAAP annual financial plan is approved by our board of directors. Continuous budgeting and forecasting for revenue and expenses are conducted on a non-GAAP basis (in addition to GAAP) and actual results on a non-GAAP basis are assessed against the annual financial plan. We consider the use of non-GAAP financial measures helpful in assessing the core performance of our continuing operations and liquidity, and when planning and forecasting future periods. By continuing operations we mean the ongoing results of the business excluding certain costs, including, but not limited to: cost of product revenue related to the fair value write-up of acquired inventory, stock-based compensation, amortization of intangible assets, impairment of intangible assets, acquisition-related costs, divestiture costs, restructuring and other income arising from the settlement of litigation related to prepaid royalties for software licenses. We also consider the use of non-GAAP earnings per share helpful in assessing the performance of the continuing operations of our business. While our management uses these non-GAAP financial measures as a tool to enhance their understanding of certain aspects of our financial performance, our management does not consider these measures to be a substitute for, or superior to, GAAP measures. In addition, our presentations of these measures may not be comparable to similarly titled measures used by other companies. These non-GAAP financial measures should not be considered alternatives for, or in isolation from, the financial information prepared and presented in accordance with GAAP.

Discussion of Non-GAAP Financial Measures (continued)

Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to Sonus' financial measures reflect the exclusion of items that are recurring and will be reflected in our financial results for the foreseeable future.

As part of the assessment of the assets acquired and liabilities assumed in connection with the PT acquisition, we were required to increase the aggregate fair value of acquired inventory by $1.8 million. The acquired inventory is being charged to cost of product revenue as it is sold to end customers. We believe that excluding the incremental cost of product revenue resulting from the fair value write-up of this acquired inventory facilitates the comparison of our operating results to our historical results and to other companies in our industry.

Stock-based compensation is different from other forms of compensation, as it is a non-cash expense. For example, a cash salary generally has a fixed and unvarying cash cost. In contrast, the expense associated with an equity-based award is generally unrelated to the amount of cash ultimately received by the employee, and the cost to us is based on a stock-based compensation valuation methodology and underlying assumptions that may vary over time. We believe that excluding non-cash stock-based compensation expense from our operating results facilitates the ability of readers of our financial statements to compare our financial results to our historical operating results and to other companies in our industry.

Discussion of Non-GAAP Financial Measures (continued)

We exclude the amortization of acquired intangible assets from non-GAAP expense and income measures. These amortization amounts are inconsistent in frequency and amount and are significantly impacted by the timing and size of acquisitions. Although we exclude amortization of acquired intangible assets from our non-GAAP expenses, we believe that it is important for investors to understand that intangible assets contribute to revenue generation. We believe that excluding the non-cash amortization of intangible assets facilitates the comparison of our financial results to our historical operating results and to other companies in our industry as if the acquired intangible assets had been developed internally rather than acquired.

In the second quarter of 2013 we recorded $0.6 million of expense for the write-off of an intellectual property intangible asset which we determined was impaired as of June 28, 2013. We believe that excluding the impairment of intangible assets facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

We consider certain transition, integration and other acquisition-related costs to be unpredictable and dependent on a significant number of factors that may be outside of our control. We do not consider these acquisition-related costs to be related to the continuing operations of the acquired business or the Company. In addition, the size, complexity and/or volume of an acquisition, which often drives the magnitude of acquisition-related costs, may not be indicative of such future costs. We believe that excluding acquisition-related costs facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

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Discussion of Non-GAAP Financial Measures (continued)

On June 20, 2014, we sold the Multi-Protocol Server (MPS) business that we had acquired in connection with the acquisition of PT. We incurred $0.4 million of transaction costs related to this divestiture. We do not consider these divestiture costs to be related to our continuing operations. We believe that excluding divestiture costs facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

We have recorded restructuring expense to streamline operations and reduce operating costs by closing and consolidating certain facilities and reducing our worldwide workforce. We believe that excluding restructuring expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

In the first quarter of 2014, we recorded $2.25 million of other income related to the settlement of a litigation matter in which we recovered a portion of our losses related to the impairment of certain prepaid royalties for software licenses which we had written off in fiscal 2012. We believe that excluding the other income arising from this settlement facilitates the comparison of our results to our historical results and other companies in our industry.

We believe that providing non-GAAP information to investors, in addition to the GAAP presentation, will allow investors to view the financial results in the way management views the operating results. We further believe that providing this information helps investors to better understand our financial performance and evaluate the efficacy of the methodology and information used by our management to evaluate and measure such performance.