

SONUS NETWORKS, INC.
Reconciliation of Non-GAAP and GAAP Financial Information
(In thousands, except per share data)

Notes	Three months ended			Nine months ended	
	September 30, 2009	June 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Revenue					
Product	\$ 33,544	\$ 36,320	\$ 36,710	\$ 89,267	\$ 149,745
Service	22,621	25,287	25,474	69,517	73,856
Total revenue	<u>\$ 56,165</u>	<u>\$ 61,607</u>	<u>\$ 62,184</u>	<u>\$ 158,784</u>	<u>\$ 223,601</u>
Gross profit					
Product	\$ 23,384	\$ 25,573	\$ 25,067	\$ 62,226	\$ 103,102
Service	11,866	14,719	13,950	36,531	39,937
Total gross profit	<u>\$ 35,250</u>	<u>\$ 40,292</u>	<u>\$ 39,017</u>	<u>\$ 98,757</u>	<u>\$ 143,039</u>
GAAP Gross margin - product	69.7%	70.4%	68.3%	69.7%	68.9%
Stock-based compensation expense	A 0.2%	0.4%	0.5%	0.3%	0.4%
Amortization of intangible assets	B 0.1%	0.1%	0.7%	0.2%	0.4%
Change in estimate - reduction of contingency for employment tax audit	C 0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP Gross margin - product	<u>70.0%</u>	<u>70.9%</u>	<u>69.5%</u>	<u>70.2%</u>	<u>69.7%</u>
GAAP Gross margin - service	52.5%	58.2%	54.8%	52.6%	54.1%
Stock-based compensation expense	A 2.1%	1.5%	2.1%	1.9%	3.0%
Non-GAAP Gross margin - service	<u>54.6%</u>	<u>59.7%</u>	<u>56.9%</u>	<u>54.5%</u>	<u>57.1%</u>
GAAP Total gross profit	\$ 35,250	\$ 40,292	\$ 39,017	\$ 98,757	\$ 143,039
Stock-based compensation expense	A 550	502	749	1,633	2,849
Amortization of intangible assets	B 40	48	263	184	573
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	(7)
Non-GAAP Total gross profit	<u>\$ 35,840</u>	<u>\$ 40,842</u>	<u>\$ 40,029</u>	<u>\$ 100,574</u>	<u>\$ 146,454</u>
GAAP Total gross margin	62.8%	65.4%	62.7%	62.2%	64.0%
Stock-based compensation expense % of revenue	A 0.9%	0.8%	1.3%	1.0%	1.2%
Amortization of intangible assets % of revenue	B 0.1%	0.1%	0.4%	0.1%	0.3%
Change in estimate - reduction of contingency for employment tax audit % of revenue	C 0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP Total gross margin	<u>63.8%</u>	<u>66.3%</u>	<u>64.4%</u>	<u>63.3%</u>	<u>65.5%</u>
GAAP Research and development expense	\$ 14,141	\$ 15,501	\$ 18,240	\$ 45,995	\$ 57,101
Stock-based compensation expense	A (774)	(1,102)	(1,373)	(2,643)	(6,708)
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	51
Non-GAAP Research and development expense	<u>\$ 13,367</u>	<u>\$ 14,399</u>	<u>\$ 16,867</u>	<u>\$ 43,352</u>	<u>\$ 50,444</u>
GAAP Sales and marketing expense	\$ 11,527	\$ 12,344	\$ 17,520	\$ 36,018	\$ 55,412
Stock-based compensation expense	A (885)	(1,490)	(987)	(3,419)	(4,168)
Amortization of intangible assets	B -	-	(55)	-	(117)
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	96
Non-GAAP Sales and marketing expense	<u>\$ 10,642</u>	<u>\$ 10,854</u>	<u>\$ 16,478</u>	<u>\$ 32,599</u>	<u>\$ 51,223</u>
GAAP General and administrative expense	\$ 11,578	\$ 10,186	\$ 21,631	\$ 32,259	\$ 44,660
Stock-based compensation expense	A (930)	(616)	(2,347)	(2,194)	(5,679)
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	387
Earnout settlement - Zynetix acquisition	D -	-	(1,685)	-	(1,685)
Non-GAAP General and administrative expense	<u>\$ 10,648</u>	<u>\$ 9,570</u>	<u>\$ 17,599</u>	<u>\$ 30,065</u>	<u>\$ 37,683</u>
GAAP Litigation settlements	\$ -	\$ -	\$ 19,100	\$ -	\$ 19,100
Litigation settlements	-	-	(19,100)	-	(19,100)
Non-GAAP Litigation settlements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Restructuring	\$ 1,533	\$ (7)	\$ -	\$ 3,510	\$ -
Restructuring	F (1,533)	7	-	(3,510)	-
Non-GAAP Restructuring	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Operating expenses	\$ 38,779	\$ 38,024	\$ 76,491	\$ 117,782	\$ 176,273
Stock-based compensation expense	A (2,589)	(3,208)	(4,707)	(8,256)	(16,555)
Amortization of intangible assets	B -	-	(55)	-	(117)
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	534
Earnout settlement - Zynetix acquisition	D -	-	(1,685)	-	(1,685)
Litigation settlements	E -	-	(19,100)	-	(19,100)
Restructuring	F (1,533)	7	-	(3,510)	-
Non-GAAP Operating expenses	<u>\$ 34,657</u>	<u>\$ 34,823</u>	<u>\$ 50,944</u>	<u>\$ 106,016</u>	<u>\$ 139,350</u>
GAAP Income (loss) from operations	\$ (3,529)	\$ 2,268	\$ (37,474)	\$ (19,025)	\$ (33,234)
Stock-based compensation expense	A 3,139	3,710	5,456	9,889	19,404
Amortization of intangible assets	B 40	48	318	184	690
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	(541)
Earnout settlement - Zynetix acquisition	D -	-	1,685	-	1,685
Litigation settlements	E -	-	19,100	-	19,100
Restructuring	F 1,533	(7)	-	3,510	-
Non-GAAP Income (loss) from operations	<u>\$ 1,183</u>	<u>\$ 6,019</u>	<u>\$ (10,915)</u>	<u>\$ (5,442)</u>	<u>\$ 7,104</u>
GAAP Other income (expense)	\$ 12	\$ 19	\$ 2	\$ 24	\$ 387
Change in estimate - reduction of contingency for employment tax audit	G -	-	-	-	(379)
Non-GAAP Other income (expense)	<u>\$ 12</u>	<u>\$ 19</u>	<u>\$ 2</u>	<u>\$ 24</u>	<u>\$ 8</u>
GAAP Loss from discontinued operations, net of tax	\$ -	\$ -	\$ (563)	\$ -	\$ (4,308)
Loss from discontinued operations, net of tax	H -	-	563	-	4,308
Non-GAAP Loss from discontinued operations, net of tax	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Net income (loss)	\$ (3,397)	\$ 4,383	\$ (21,246)	\$ (15,241)	\$ (20,950)
Stock-based compensation expense	A 3,139	3,710	5,456	9,889	19,404
Amortization of intangible assets	B 40	48	318	184	690
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	(920)
Earnout settlement - Zynetix acquisition	D -	-	1,685	-	1,685
Litigation settlements	E -	-	19,100	-	19,100
Restructuring	F 1,533	(7)	-	3,510	-
Income tax effect of non-GAAP adjustments - benefit (provision)	G -	-	(7,824)	-	(13,695)
Loss from discontinued operations, net of tax	H -	-	563	-	4,308
Non-GAAP Net income (loss)	<u>\$ 1,315</u>	<u>\$ 8,134</u>	<u>\$ (1,948)</u>	<u>\$ (1,658)</u>	<u>\$ 9,622</u>
Net income (loss) per share - diluted					
GAAP	\$ (0.01)	\$ 0.02	\$ (0.08)	\$ (0.06)	\$ (0.08)
Non-GAAP	\$ -	\$ 0.03	\$ (0.01)	\$ (0.01)	\$ 0.04
Shares used in computing diluted net income (loss) per share					
GAAP Shares used to compute diluted net income or net loss per share	273,907	273,768	271,619	273,518	271,121
Non-GAAP Shares used to compute diluted net income or net loss per share	274,205	273,768	271,619	273,518	271,693

SONUS NETWORKS, INC.
Reconciliation of Non-GAAP and GAAP Financial Information
Gross Profit to R&D Spend Ratio - Trailing 12 Months
(In thousands, except Ratio)

	Notes	Three months ended				
		30-Sep-08 (Q3 2008)	31-Dec-08 (Q4 2008)	31-Mar-09 (Q1 2009)	30-Jun-09 (Q2 2009)	30-Sep-09 (Q3 2009)
GAAP Gross profit		\$ 39,017	\$ 39,812	\$ 23,215	\$ 40,292	\$ 35,250
Stock-based compensation expense	A	749	616	581	502	550
Amortization of intangible assets	B	263	279	96	48	40
Change in estimate - reduction of contingency for employment tax audit	C	-	(1)	-	-	-
Non-GAAP Gross profit		\$ 40,029	\$ 40,706	\$ 23,892	\$ 40,842	\$ 35,840
GAAP Research and development expense		\$ 18,240	\$ 15,997	\$ 16,353	\$ 15,501	\$ 14,141
Stock-based compensation expense	A	(1,373)	(1,213)	(767)	(1,102)	(774)
Change in estimate - reduction of contingency for employment tax audit	C	-	1	-	-	-
Non-GAAP Research and development expense		\$ 16,867	\$ 14,785	\$ 15,586	\$ 14,399	\$ 13,367
Non-GAAP Gross Profit to R&D Spend Ratio - Trailing 12 Months	I					
<i>Twelve Months (Four Quarters) Ended September 30, 2009</i>						
Non-GAAP Gross profit		\$ 141,280	(a)			
Non-GAAP Research and development expense		\$ 58,137	(b)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (a)/(b)</i>		\$ 2.4				
<i>Twelve Months (Four Quarters) Ended June 30, 2009</i>						
Non-GAAP Gross profit		\$ 145,469	(c)			
Non-GAAP Research and development expense		\$ 61,637	(d)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (c)/(d)</i>		\$ 2.4				