

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, 2011	June 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Revenue					
Product	\$ 41,892	\$ 29,446	\$ 19,391	\$ 107,291	\$ 92,465
Service	24,461	22,326	23,348	78,133	73,863
Total revenue	<u>\$ 66,353</u>	<u>\$ 51,772</u>	<u>\$ 42,739</u>	<u>\$ 185,424</u>	<u>\$ 166,328</u>
Gross profit					
Product	\$ 30,388	\$ 19,828	\$ 12,160	\$ 63,008	\$ 62,107
Service	11,828	10,108	11,618	35,769	38,362
Total gross profit	<u>\$ 42,216</u>	<u>\$ 29,936</u>	<u>\$ 23,778</u>	<u>\$ 98,777</u>	<u>\$ 100,469</u>
GAAP Gross margin - product	72.5%	67.3%	62.7%	58.7%	67.2%
Stock-based compensation expense	A 0.3%	0.4%	0.5%	0.3%	0.3%
Amortization of intangible assets	B 0.0%	0.0%	0.2%	0.0%	0.1%
Non-GAAP Gross margin - product	<u>72.8%</u>	<u>67.7%</u>	<u>63.4%</u>	<u>59.0%</u>	<u>67.6%</u>
GAAP Gross margin - service	48.4%	45.3%	49.8%	45.8%	51.9%
Stock-based compensation expense	A 1.0%	1.7%	1.7%	1.3%	1.7%
Non-GAAP Gross margin - service	<u>49.4%</u>	<u>47.0%</u>	<u>51.5%</u>	<u>47.1%</u>	<u>53.6%</u>
GAAP Total gross profit	\$ 42,216	\$ 29,936	\$ 23,778	\$ 98,777	\$ 100,469
Stock-based compensation expense	A 358	498	501	1,349	1,484
Amortization of intangible assets	B -	-	37	-	113
Non-GAAP Total gross profit	<u>\$ 42,574</u>	<u>\$ 30,434</u>	<u>\$ 24,316</u>	<u>\$ 100,126</u>	<u>\$ 102,066</u>
GAAP Total gross margin	63.6%	57.8%	55.6%	53.3%	60.4%
Stock-based compensation expense % of revenue	A 0.6%	1.0%	1.2%	0.7%	0.9%
Amortization of intangible assets % of revenue	B 0.0%	0.0%	0.1%	0.0%	0.1%
Non-GAAP Total gross margin	<u>64.2%</u>	<u>58.8%</u>	<u>56.9%</u>	<u>54.0%</u>	<u>61.4%</u>
GAAP Research and development expense	\$ 16,231	\$ 15,187	\$ 16,226	\$ 47,026	\$ 46,272
Stock-based compensation expense	A (505)	(527)	(617)	(1,565)	(1,888)
Amortization of intangible assets	B (100)	(100)	(100)	(300)	(300)
Non-GAAP Research and development expense	<u>\$ 15,626</u>	<u>\$ 14,560</u>	<u>\$ 15,509</u>	<u>\$ 45,161</u>	<u>\$ 44,084</u>
GAAP Sales and marketing expense	\$ 14,651	\$ 13,298	\$ 11,836	\$ 42,246	\$ 37,822
Stock-based compensation expense	A (408)	(563)	(647)	(1,468)	(2,064)
Non-GAAP Sales and marketing expense	<u>\$ 14,243</u>	<u>\$ 12,735</u>	<u>\$ 11,189</u>	<u>\$ 40,778</u>	<u>\$ 35,758</u>
GAAP General and administrative expense	\$ 10,133	\$ 8,197	\$ 17,157	\$ 26,526	\$ 38,272
Stock-based compensation expense	A (796)	(627)	(4,947)	(1,926)	(6,974)
Non-GAAP General and administrative expense	<u>\$ 9,337</u>	<u>\$ 7,570</u>	<u>\$ 12,210</u>	<u>\$ 24,600</u>	<u>\$ 31,298</u>
GAAP Restructuring	\$ -	\$ -	\$ 1,114	\$ -	\$ 1,114
Restructuring	C -	-	(1,114)	-	(1,114)
Non-GAAP Restructuring	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Operating expenses	\$ 41,015	\$ 36,682	\$ 46,333	\$ 115,798	\$ 123,480
Stock-based compensation expense	A (1,709)	(1,717)	(6,211)	(4,959)	(10,926)
Amortization of intangible assets	B (100)	(100)	(100)	(300)	(300)
Restructuring	C -	-	(1,114)	-	(1,114)
Non-GAAP Operating expenses	<u>\$ 39,206</u>	<u>\$ 34,865</u>	<u>\$ 38,908</u>	<u>\$ 110,539</u>	<u>\$ 111,140</u>
GAAP Income (loss) from operations	\$ 1,201	\$ (6,746)	\$ (22,555)	\$ (17,021)	\$ (23,011)
Stock-based compensation expense	A 2,067	2,215	6,712	6,308	12,410
Amortization of intangible assets	B 100	100	137	300	413
Restructuring	C -	-	1,114	-	1,114
Non-GAAP Income (loss) from operations	<u>\$ 3,368</u>	<u>\$ (4,431)</u>	<u>\$ (14,592)</u>	<u>\$ (10,413)</u>	<u>\$ (9,074)</u>
GAAP Net income (loss)	\$ 1,909	\$ (5,934)	\$ (22,278)	\$ (16,433)	\$ (22,101)
Stock-based compensation expense	A 2,067	2,215	6,712	6,308	12,410
Amortization of intangible assets	B 100	100	137	300	413
Restructuring	C -	-	1,114	-	1,114
Non-GAAP Net income (loss)	<u>\$ 4,076</u>	<u>\$ (3,619)</u>	<u>\$ (14,315)</u>	<u>\$ (9,825)</u>	<u>\$ (8,164)</u>
Net earnings (loss) per share - diluted					
GAAP	\$ 0.01	\$ (0.02)	\$ (0.08)	\$ (0.06)	\$ (0.08)
Non-GAAP	\$ 0.01	\$ (0.01)	\$ (0.05)	\$ (0.04)	\$ (0.03)
Shares used in computing diluted net earnings (loss) per share					
GAAP Shares used to compute diluted net earnings or net loss per share	279,324	278,400	275,412	278,286	275,107
Non-GAAP Shares used to compute diluted net earnings or net loss per share	279,324	278,400	275,412	278,286	275,107