Sonus Networks, Inc.
Discussion of Non-GAAP Financial Measures
Quarter ended December 31, 2009

The attached tables include non-GAAP financial measures derived from our Condensed Consolidated Statements of Operations. These non-GAAP financial measures of Gross margin – product; Gross margin – service; Gross profit; Gross margin, Research and development expense, Sales and marketing expense, General and administrative expense, Litigation settlements; Impairment of intangible assets; Restructuring; Operating expenses; Income (loss) from operations; Other income (expense); Loss from discontinued operations, net of tax; Loss on sale of discontinued operations, net of tax; Net income (loss); Net income (loss) per share (diluted) and Gross profit to R&D spend ratio are not presented in accordance with, nor are they intended to be a substitute for, accounting principles generally accepted in the United States of America ("GAAP"). In addition, our presentations of these measures may not be comparable to similarly titled measures used by other companies. The non-GAAP financial measures described below, and used in the attached tables, should not be considered alternatives for, or in isolation from, the financial information prepared and presented in accordance with GAAP.

We use a number of different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of our business, in making operating decisions, planning and forecasting future periods, and determining payments under compensation programs. We consider the use of these non-GAAP financial measures helpful in assessing the core performance of our continuing operations and liquidity, and when planning and forecasting future periods. We define continuing operations as the ongoing revenue and expenses of the business, excluding certain items. These items are Stock-based compensation expense; Amortization of intangible assets; Change in estimate – reduction of contingency for employment tax audit; Earnout settlement – Zynetix acquisition; Litigation settlements; Impairment of intangible assets; Restructuring; Loss from discontinued operations, net of tax; Loss on sale of discontinued operations, net of tax; and the Income tax effect of non-GAAP adjustments.

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 the Company's GAAP financial measures reflect the exclusion of items that are recurring and will be reflected in the Company's financial results for the foreseeable future.

Note A – Stock-Based Compensation Expense

Stock-based compensation is different from other forms of compensation, as it is a non-cash expense. A cash salary or bonus has a fixed and unvarying cash cost. In contrast, the expense associated with the award of an option 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 enables the readers of our financial statements to more accurately compare our operating results to our historical results and to other companies in our industry.

Note B – Amortization of Intangible Assets

On April 18, 2008, we completed our acquisition of Atreus Systems, Inc. and its subsidiaries (collectively, "Atreus"), a supplier of service provisioning software for Voice over IP and IP Multimedia subsystem-based services. In connection with this acquisition we recorded intangible assets consisting of customer relationships, developed technology and order backlog. The amortization expense for the intangible assets arising from this acquisition is included in Amortization of intangible assets. In connection with the preparation of our financial statements for the fourth quarter of fiscal 2008, we performed a review of the intangible assets, determined that the customer relationship and intellectual property intangible assets acquired in the Atreus acquisition were impaired and recorded impairment charges aggregating $2.7 million. As a result, the net book values of those intangible assets were reduced to zero at December 31, 2008.

On April 13, 2007, we completed our acquisition of Zynetix Limited ("Zynetix"), a privately-held designer of innovative Global System for Mobile Communications infrastructure solutions located in the United Kingdom. In connection with this acquisition we recorded intangible assets consisting of customer relationships, intellectual property and a trade name. A portion of the Intellectual property was allocated to the Sonus reporting unit. In connection with the preparation of our financial statements for the second quarter of fiscal 2008, we performed a review of the intangible assets, determined that the intangible assets and goodwill allocable to the Zynetix reporting unit were impaired and recorded impairment charges aggregating $3.6 million. As a result, the net book values of the intangible assets and goodwill attributable to the Zynetix reporting unit were reduced to zero at June 30, 2008. During the third quarter of fiscal 2008, we committed to a plan to sell Zynetix, and completed the sale transaction on November 26, 2008. As a result, we have reclassified the results of operations of Zynetix, including amortization expense and impairment charges for the intangible assets and goodwill allocated to the Zynetix reporting unit, to discontinued operations for all periods presented (see Note H). The amortization expense for the intellectual property allocated to the Sonus reporting unit is included in Amortization of intangible assets.

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 and provides meaningful information regarding our liquidity.

Note C – Change in Estimate – Reduction of Contingency for Employment Tax Audit

The Internal Revenue Service ("IRS") notified us that our payroll tax returns for the years ended December 31, 2004, 2005 and 2006 had been selected for audit in connection with our stock option review. In connection with the restatement of our financial statements, we had recorded $1.6 million of accrued liabilities for additional federal and state payroll tax, penalties and interest related to adjustments resulting from errors in stock option accounting. In April 2008, we reached an agreement with the IRS and paid $0.5 million to settle this audit. As a result of this settlement, we recorded a reduction of $0.9 million to the previously recorded loss contingency. In addition, in the fourth quarter of 2008, we settled an obligation with the Massachusetts Department of Revenue related to state payroll taxes. As a result of this settlement, we recorded a reduction of $0.2 million to the previously recorded loss contingency. We believe that the exclusion of the amounts related to these change in estimate allow for a more accurate comparison of our financial results to our historical results and to other companies in our industry, as they are unusual both in magnitude and occurrence.

Note D – Earnout Settlement – Zynetix Acquisition

In connection with the acquisition of all of the issued share capital of Zynetix in April 2007, the share purchase agreement, as amended, included two additional potential payments to the selling shareholders: (1) £1,500,000 (U.S. $2.7 million at September 30, 2008) payable on December 31, 2008; and (2) 175,000 shares of Sonus common stock (fair value of U.S. $0.5 million at September 30, 2008) deliverable on April 30, 2009, both contingent upon the business achieving certain predetermined financial and business metrics related to revenue, operating expenses and customer trials. The shares of common stock were placed into escrow and would be released if the earnout metrics were achieved.

On November 26, 2008 we sold Zynetix. On November 3, 2009, in anticipation of the sale, we settled the 2008 earnout by paying £650,000 (U.S. $1.1 million) in cash and releasing the remaining £100,000 held in escrow (included in the original purchase accounting when the Company acquired Zynetix in 2007) to the selling shareholders and settled the 2009 earnout by releasing the 175,000 shares of Sonus common stock (fair value of $0.3 million on the date of issuance) previously placed into escrow to the selling shareholders (collectively, the "earnout settlement"). We recorded expense of $1.4 million related to the earnout settlement, which is included as a component of General and administrative expenses in our consolidated statements of operations for the year ended December 31, 2008.

We believe that the exclusion of the expense related to the earnout settlement allows for a more accurate comparison of our financial results to our historical results and to other companies in our industry, as it is unusual both in magnitude and occurrence.

Note E – Litigation Settlements

On June 14, 2006, C2 Communications ("C2") sued AT&T, Inc., Verizon Communications, Inc., Qwest, Bellsouth Corporation, Sprint Nextel Corporation, Global Crossing and Level 3 in the Eastern District of Texas, Marshall Division. C2 has alleged that each of the defendants infringe U.S. Patent No. 6,243,373 entitled "Method and Apparatus for Implementing a Computer Network Internet Telephone System." We agreed, subject to certain conditions, to assume the defense of Qwest, Global Crossing and Level 3 in this litigation to the extent the claim resulted from their use of products purchased from us. During the trial, on September 16, 2008, we reached an agreement to settle this litigation. The parties entered into a settlement and license agreement that provided for the payment of $9.5 million in full settlement of all claims against Qwest, Global Crossing and Level 3 as well as fully paid licenses to the Company and Qwest, Global Crossing and Level 3. The settlement was paid on September 24, 2008. The settlement expense is included as a component of Litigation settlements in our results of operations for the year ended December 31, 2008.

On January 6, 2006, a purchaser of our common stock filed a complaint in the United States District Court for the District of Massachusetts that is essentially identical to an amended Consolidated Complaint alleging that Sonus made false and misleading statements about its products and business previously filed against the defendants and dismissed on October 5, 2005. The Court appointed the Public Employees' Retirement System of Mississippi as lead plaintiff. The lead plaintiff filed an Amended Consolidated Class Action Complaint on March 5, 2007 (the "2002 Securities Litigation"). On April 19, 2007, the defendants filed a motion to dismiss the 2002 Securities Litigation. On September 23, 2008 we agreed to settle the litigation and, on October 3, 2008, entered into a Memorandum of Understanding with the plaintiff setting forth the terms of the settlement. Pursuant to the settlement, subject to confirmatory discovery and final court approval, we agreed to pay $9.5 million to the shareholder class in the case, as well as $0.1 million toward the cost of the class notice process. These amounts, totaling $9.6 million, are included in our results of operations for the year ended December 31, 2008. On February 4, 2009, the Court issued an order in which it certified a settlement class, preliminarily approved the settlement, and ordered that notice be sent to the settlement class. The hearing on final court approval of the settlement was held on June 16, 2009, and the Court entered its Orders finally approving the settlement and the request of plaintiff's counsel for attorneys' fees on June 23, 2009. There were no class member objections to the settlement. On February 17, 2009, we placed $9.5 million into escrow related to this settlement. We do not have any directors and officers insurance available for this claim. On July 16, 2009, the escrow amount was released to the plaintiff.

We believe that excluding these nonrecurring expenses from our operating results enables the readers of our financial statements to more accurately compare our operating results to our historical results and to other companies in our industry.

Note F – Impairment of Intangible Assets

In the fourth quarter of fiscal 2008 we recorded $2.7 million of expense for the write-down of intangible assets related to our acquisition of Atreus. In the second quarter of fiscal 2008 we recorded $3.6 million of expense for the write-down of intangible assets and goodwill related to our acquisition of Zynetix intangible assets and goodwill, which is included as a component of Loss from discontinued operations, net of tax, in our consolidated statement of operations for the year ended December 31, 2008 (see Note H).

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 and provides meaningful information regarding our liquidity.

Note G – Restructuring

We recorded $3.5 million of restructuring expense in fiscal 2009 related to three headcount reduction restructuring initiatives, which reduced our workforce by approximately 190 employees in the aggregate. In the fourth quarter of fiscal 2008, we recorded $0.7 million of restructuring expense related to a headcount reduction initiative. These initiatives were implemented as part of our efforts to right-size the business to align with market opportunities while managing costs to position Sonus for profitable growth.

We believe that excluding these restructuring expenses facilitates the comparison of our financial results to our historical operating results and to other companies in our industry and provides meaningful information regarding our liquidity.

Note H – Income Tax Effect of Non-GAAP Adjustments

We have calculated and adjusted our GAAP income tax benefit (provision) for the income tax effect of non-GAAP adjustments. We believe financial information excluding the income tax effect of non-GAAP adjustments provides readers of our financial statements a better understanding of our continuing operations trends.

Note I – Loss from Discontinued Operations, Net of Tax

During the third quarter of fiscal 2008, we committed to a plan to sell Zynetix. As a result, we have reclassified the results of operations of Zynetix, net of income taxes, to discontinued operations for all periods presented. We believe that the exclusion of Loss from discontinued operations, net of tax, from our results provides users of our financial statements a better understanding of our continuing operations trends.

Note J – Loss on Disposal of Discontinued Operations, Net of Tax

On November 26, 2008, we completed the sale of Zynetix. We recorded a loss of $0.7 million, net of tax, on the sale of Zynetix. We believe that the exclusion of Loss on disposal of discontinued operations, net of tax, from our results provides users of our financial statements a better understanding of our continuing operations trends.

Note K – Gross Profit to R&D Spend Ratio – Trailing 12 Months

We are committed to supporting our customer-based R&D projects on a go-forward basis. However, we need to ensure that our R&D investments will generate acceptable return on investment in support of our objective of continuous improvement in our R&D efforts. Our Gross profit to R&D spend ratio is calculated by dividing non-GAAP gross profit by non-GAAP research and development expense. Due to the quarterly unevenness of our business, our gross profit to R&D spend ratio is most meaningful on a trailing 12-month, or four quarters, basis. We believe that this is an important metric when used internally to ensure that our R&D investments deliver appropriate returns.