

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

Notes	Three months ended			Six months ended	
	June 30, 2008	March 31, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenue					
Product	\$ 62,403	\$ 50,984	\$ 52,171	\$ 113,387	\$ 103,798
Service	25,488	23,039	23,322	48,527	42,841
Total revenue	\$ 87,891	\$ 74,023	\$ 75,493	\$ 161,914	\$ 146,639
Gross profit					
Product	\$ 44,094	\$ 34,164	\$ 28,610	\$ 78,258	\$ 63,155
Service	14,012	11,964	13,759	25,976	24,699
Total gross profit	\$ 58,106	\$ 46,128	\$ 42,369	\$ 104,234	\$ 87,854
GAAP Gross margin - product	70.7%	67.0%	54.8%	69.0%	60.8%
Stock-based compensation expense	A 0.3%	0.4%	0.4%	0.3%	0.3%
Amortization of intangible assets	C 0.3%	0.1%	0.1%	0.3%	0.1%
Change in estimate - reduction of contingency for employment tax audit	F 0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP Gross margin - product	71.3%	67.5%	55.3%	69.6%	61.2%
GAAP Gross margin - service	55.0%	51.9%	59.0%	53.5%	57.7%
Stock-based compensation expense	A 1.8%	5.0%	4.4%	3.3%	3.7%
Non-GAAP Gross margin - service	56.8%	56.9%	63.4%	56.8%	61.4%
GAAP Total gross profit	\$ 58,106	\$ 46,128	\$ 42,369	\$ 104,234	\$ 87,854
Stock-based compensation expense	A 619	1,334	1,211	1,953	1,883
Amortization of intangible assets	C 262	65	65	327	65
Change in estimate - reduction of contingency for employment tax audit	F -	(7)	-	(7)	-
Non-GAAP Total gross profit	\$ 58,987	\$ 47,520	\$ 43,645	\$ 106,507	\$ 89,802
GAAP Total gross margin	66.1%	62.3%	56.1%	64.4%	59.9%
Stock-based compensation expense % of revenue	A 0.7%	1.8%	1.6%	1.2%	1.3%
Amortization of intangible assets % of revenue	C 0.3%	0.1%	0.1%	0.2%	0.0%
Change in estimate - reduction of contingency for employment tax audit % of revenue	F 0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP Total gross margin	67.1%	64.2%	57.8%	65.8%	61.2%
GAAP Research and development expense	\$ 18,397	\$ 20,498	\$ 22,350	\$ 38,895	\$ 41,048
Stock-based compensation expense	A (1,395)	(3,689)	(6,482)	(5,084)	(9,691)
Change in estimate - reduction of contingency for employment tax audit	F -	51	-	51	-
Non-GAAP Research and development expense	\$ 17,002	\$ 16,860	\$ 15,868	\$ 33,862	\$ 31,357
GAAP Sales and marketing expense	\$ 19,371	\$ 18,941	\$ 21,219	\$ 38,312	\$ 44,269
Stock-based compensation expense	A (1,024)	(1,893)	(5,699)	(2,917)	(9,221)
Amortization of intangible assets	C (132)	(75)	(76)	(207)	(76)
Change in estimate - reduction of contingency for employment tax audit	F -	96	-	96	-
Non-GAAP Sales and marketing expense	\$ 18,215	\$ 17,069	\$ 15,444	\$ 35,284	\$ 34,972
GAAP General and administrative expense	\$ 12,770	\$ 9,997	\$ 14,202	\$ 22,767	\$ 28,264
Stock-based compensation expense	A (1,934)	(1,292)	(1,225)	(3,226)	(2,691)
Stock option review costs	B -	-	(3,826)	-	(8,023)
Change in estimate - reduction of contingency for employment tax audit	F -	387	-	387	-
Non-GAAP General and administrative expense	\$ 10,836	\$ 9,092	\$ 9,151	\$ 19,928	\$ 17,550
GAAP Impairment of intangible assets and goodwill	\$ 3,630	\$ -	\$ -	\$ 3,630	\$ -
Impairment of intangible assets and goodwill	D (3,630)	-	-	(3,630)	-
Non-GAAP Impairment of intangible assets and goodwill	\$ -	\$ -	\$ -	\$ -	\$ -
GAAP Operating expenses	\$ 54,168	\$ 49,436	\$ 57,771	\$ 103,604	\$ 113,581
Stock-based compensation expense	A (4,353)	(6,874)	(13,406)	(11,227)	(21,603)
Stock option review costs	B -	-	(3,826)	-	(8,023)
Amortization of intangible assets	C (132)	(75)	(76)	(207)	(76)
Impairment of intangible assets and goodwill	D (3,630)	-	-	(3,630)	-
Change in estimate - reduction of contingency for employment tax audit	F -	534	-	534	-
Non-GAAP Operating expenses	\$ 46,053	\$ 43,021	\$ 40,463	\$ 89,074	\$ 83,879
GAAP Income (loss) from operations	\$ 3,938	\$ (3,308)	\$ (15,402)	\$ 630	\$ (25,727)
Stock-based compensation expense	A 4,972	8,208	14,617	13,180	23,486
Stock option review costs	B -	-	3,826	-	8,023
Amortization of intangible assets	C 394	140	141	534	141
Impairment of intangible assets and goodwill	D 3,630	-	-	3,630	-
Change in estimate - reduction of contingency for employment tax audit	F -	(541)	-	(541)	-
Non-GAAP Income from operations	\$ 12,934	\$ 4,499	\$ 3,182	\$ 17,433	\$ 5,923
GAAP Net income (loss)	\$ 126	\$ 566	\$ (6,976)	\$ 692	\$ (10,954)
Stock-based compensation expense	A 4,972	8,208	14,617	13,180	23,486
Stock option review costs	B -	-	3,826	-	8,023
Amortization of intangible assets	C 394	140	141	534	141
Impairment of intangible assets and goodwill	D 3,630	-	-	3,630	-
Change in estimate - reduction of contingency for employment tax audit	F -	(920)	-	(920)	-
Stock-based compensation-related expense	G -	-	256	-	936
Income tax effect of non-GAAP adjustments - benefit (provision)	H (1,366)	(2,816)	(6,870)	(4,182)	(11,816)
Non-GAAP Net income	\$ 7,756	\$ 5,178	\$ 4,994	\$ 12,934	\$ 9,816
Net income (loss) per share - diluted					
GAAP	\$ -	\$ -	\$ (0.03)	\$ -	\$ (0.04)
Non-GAAP	\$ 0.03	\$ 0.02	\$ 0.02	\$ 0.05	\$ 0.04
Shares used in computing net income (loss) per share					
Diluted shares for calculating net loss per share	271,150	270,590	259,786	270,870	259,777
Diluted shares for calculating net income per share	273,710	271,222	276,255	272,422	275,367

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)

		Three months ended				
Notes		June 30, 2007 (Q2 2007)	Sept 30, 2007 (Q3 2007)	Dec 31, 2007 (Q4 2007)	March 31, 2008 (Q1 2008)	June 30, 2008 (Q2 2008)
GAAP Gross profit		\$ 42,369	\$ 45,405	\$ 57,483	\$ 46,128	\$ 58,106
Stock-based compensation expense	A	1,211	1,571	970	1,334	619
Amortization of intangible assets	C	65	67	67	65	262
409A excise tax adjustments	E	-	29	1	-	-
Change in estimate - reduction of contingency for employment tax audit	F	-	-	-	(7)	-
Non-GAAP Gross profit		<u>\$ 43,645</u>	<u>\$ 47,072</u>	<u>\$ 58,521</u>	<u>\$ 47,520</u>	<u>\$ 58,987</u>
 GAAP Research and development expense		 \$ 22,350	 \$ 21,039	 \$ 17,042	 \$ 20,498	 \$ 18,397
Stock-based compensation expense	A	(6,482)	(4,099)	(2,186)	(3,689)	(1,395)
409A excise tax adjustments	E	-	(242)	(48)	-	-
Change in estimate - reduction of contingency for employment tax audit	F	-	-	-	51	-
Non-GAAP Research and development expense		<u>\$ 15,868</u>	<u>\$ 16,698</u>	<u>\$ 14,808</u>	<u>\$ 16,860</u>	<u>\$ 17,002</u>
 Non-GAAP Gross Profit to R&D Spend Ratio - Trailing 12 Months						
<i>Twelve Months (Four Quarters) Ended June 30, 2008</i>						
Non-GAAP Gross profit	I	\$ 212,100	(a)			
Non-GAAP Research and development expense		\$ 65,368	(b)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (a)/(b)</i>		\$ 3.2				
 <i>Twelve Months (Four Quarters) Ended March 31, 2008</i>						
Non-GAAP Gross profit		\$ 196,758	(c)			
Non-GAAP Research and development expense		\$ 64,234	(d)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (c)/(d)</i>		\$ 3.1				