Fourth Quarter and Full Year 2016 Results

February 15, 2017

Sonus

Cautionary Note Regarding Forward-Looking Statements

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 section “Outlook”, and statements regarding our future results of operations and financial position, business strategy, strategic position, plans and objectives of management for future operations and plans for future product development and manufacturing, and statements regarding the impact of the Taqua acquisition on Sonus’ financial results, 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 customer purchasing decisions and 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 and cost-containment activities; our ability to realize benefits from the acquisitions that we have completed; the effects of disruption from the acquisitions that we have completed, making it more difficult to maintain relationships with employees, customers, business partners or government entities; the success implementing the integration strategies with respect to the acquisitions that we have completed; 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.

Q416 and FY16 Results, Consolidated

	Q416 Actuals	Q416 Guidance[2]	FY16 Actuals	FY16 Guidance[2]
Total Revenue	$67.6M	$66.8M to $68.8M	$252.6M	$252M to $254M
Non-GAAP Gross Margin[1]	70.0%	68% to 68.5%	69.4%	69.0% to 69.5%
Non-GAAP Opex[1]	$42.4M	$43M to $44M	$157.2M	$157.5M to $158.5M
GAAP loss per share	($0.05)	($0.13) to ($0.10)	($0.28)	($0.36) to ($0.33)
Non-GAAP Diluted earnings per share[1]	$0.09	$0.04 to $0.07	$0.33	$0.27 to $0.30
Basic Shares	49.2M	49.5M	49.4M	49.5M
Diluted Shares	49.5M	50M	49.7M	50M

1) Non-GAAP financial measures; please see reconciliation in presentation appendix.

2) Guidance as provided on October 26, 2016.

Q416 and FY16 Results, Taqua Only

	Q416 Actuals	Q416 Guidance[2]	FY16 Actuals	FY16 Guidance[2]
Total Revenue	$1.8 M	$1.8M	$1.9M	$2M
Non-GAAP Gross Margin[1]	-	Not provided	-	Not provided
Non-GAAP Opex[1]	-	Not provided	-	Not provided
GAAP loss per share	($0.08)	($0.08)	($0.10)	($0.09)
Non-GAAP loss per share[1]	($0.06)	($0.05)	($0.07)	($0.06)
Basic Shares	49.2M	49.5M	49.4M	49.5M
Diluted Shares	49.5M	49.5M	49.7M	50M

1) Non-GAAP financial measures; please see reconciliation in presentation appendix.

2) Guidance as provided on October 26, 2016.

Condensed Balance Sheet

Balance Sheet $M	Actual Q1'15	Actual Q2'15	Actual Q3'15	Actual Q4'15	Actual Q1'16	Actual Q2'16	Actual Q3'16	Actual Q4'16
ASSETS								
Cash & Investments	$ 112.8	$ 113.5	$ 126.9	$ 142.2	$ 142.4	$ 142.7	$ 121.0	$ 126.1
Accounts Receivable, Net	55.6	48.7	51.3	51.5	34.4	36.9	44.2	53.9
Inventory, Net	25.1	25.7	24.2	23.1	22.5	20.7	20.8	18.3
Property Plant Equipment, Net	18.3	15.5	14.8	13.6	12.7	12.4	13.1	11.7
Goodwill & Intangibles	71.9	70.3	68.5	66.4	64.5	62.7	90.9	79.6
Other Assets	20.2	21.8	19.5	16.0	21.5	20.7	19.9	18.5
Total Assets	**$ 304.0**	**$ 295.4**	**$ 305.2**	**$ 312.9**	**$ 297.9**	**$ 296.1**	**$ 309.9**	**$ 308.1**
LIABILITIES & EQUITY								
Liabilities	$ 34.2	$ 33.5	$ 41.4	$ 43.8	$ 28.0	$ 30.6	$ 42.8	$ 38.2
Deferred Revenues	48.6	49.5	48.3	46.1	48.3	45.4	46.4	50.7
Stockholders Equity	221.2	212.5	215.5	223.0	221.6	220.1	220.7	219.1
Total Liabilities and Equity	**$ 304.0**	**$ 295.4**	**$ 305.2**	**$ 312.9**	**$ 297.9**	**$ 296.1**	**$ 309.9**	**$ 308.1**
DSO	100	80	68	61	52	54	61	74

Condensed Non-GAAP Statement of Operations

Condensed Non GAAP P&L $M	Actual Q1'15	Actual Q2'15	Actual Q3'15	Actual Q4'15	Actual FY'15	Actual Q1'16	Actual Q2'16	Actual Q3'16	Actual Q4'16	Actual FY'16
Product Revenue	$ 24.9	$ 27.0	$ 42.2	$ 47.8	$ 141.9	$ 34.8	$ 35.3	$ 38.6	$ 37.7	$ 146.4
Service Revenue	25.3	27.7	25.6	28.5	107.1	24.4	25.5	26.4	29.9	106.2
Total Revenue	**50.1**	**54.7**	**67.9**	**76.3**	**249.0**	**59.2**	**60.9**	**65.0**	**67.6**	**252.6**
Gross Margin	30.9	36.1	47.5	54.5	168.9	40.4	42.1	45.5	47.3	175.3
Gross Margin %	*61.5%*	*65.9%*	*70.0%*	*71.4%*	*67.8%*	*68.4%*	*69.2%*	*69.9%*	*70.0%*	*69.4%*
OPEX	**43.5**	**40.9**	**41.4**	**42.6**	**168.4**	**38.0**	**37.8**	**39.0**	**42.4**	**157.2**
Income/(Loss) from Operations	**(12.6)**	**(4.8)**	**6.1**	**11.8**	**0.5**	**2.5**	**4.3**	**6.4**	**4.9**	**18.2**
Net Income	**$ (13.1)**	**$ (5.1)**	**$ 5.6**	**$ 11.6**	**$ (1.1)**	**$ 1.7**	**$ 4.1**	**$ 6.2**	**$ 4.5**	**$ 16.5**
Fully Diluted EPS	**$ (0.27)**	**$ (0.10)**	**$ 0.11**	**$ 0.23**	**$ (0.02)**	**$ 0.03**	**$ 0.08**	**$ 0.12**	**$ 0.09**	**$ 0.33**
Fully Diluted Shares	**49.4**	**49.5**	**49.7**	**49.9**	**49.6**	**49.7**	**50.0**	**49.9**	**49.5**	**49.7**

Key Stats

$(000s)	FY16	Q416	Q316	Q216	Q116	FY15	Q415	Q315	Q215	Q115
Revenue										
Product	146,381	37,662	38,601	35,349	34,769	141,913	47,776	42,230	27,042	24,865
Services	106,210	29,910	26,410	25,508	24,382	107,121	28,550	25,632	27,659	25,280
Total Revenue	**252,591**	**67,572**	**65,011**	**60,857**	**59,151**	**249,034**	**76,326**	**67,862**	**54,701**	**50,145**
% of Total Revenue	**FY16**	**Q416**	**Q316**	**Q216**	**Q116**	**FY15**	**Q415**	**Q315**	**Q215**	**Q115**
Revenue										
Product	58%	56%	59%	58%	59%	57%	63%	62%	49%	50%
Services	42%	44%	41%	42%	41%	43%	37%	38%	51%	50%
Revenue by Geography										
Domestic	69%	68%	70%	70%	68%	71%	70%	77%	71%	62%
International	31%	32%	30%	30%	32%	29%	30%	23%	29%	38%
% of Product Revenue	**FY16**	**Q416**	**Q316**	**Q216**	**Q116**	**FY15**	**Q415**	**Q315**	**Q215**	**Q115**
Revenue by Channel										
Direct	74%	75%	68%	75%	79%	76%	75%	78%	74%	76%
Indirect	26%	25%	32%	25%	21%	24%	25%	22%	26%	24%
Operating Statistics	**FY16**	**Q416**	**Q316**	**Q216**	**Q116**	**FY15**	**Q415**	**Q315**	**Q215**	**Q115**
10% Customers										
Number of 10% customers	1	1	1	2	2	1	0	3	1	2
Name of 10% customers	AT&T	CenturyLink	AT&T	AT&T Verizon	Level 3 AT&T	AT&T	<None>	AT&T Inteliquent CenturyLink	AT&T	Verizon Softbank
5K/7K										
5K/7K Product Revenue	54,409	12,506	14,194	13,588	14,121	49,700	17,554	13,524	9,457	9,165
5K/7K as % of Product Revenue	37%	33%	37%	38%	41%	35%	37%	32%	35%	37%
Top 5 Customers as % of Revenue	37%	39%	41%	46%	46%	37%	33%	50%	40%	43%
Enterprise as % of Product Revenue	19%	18%	21%	20%	18%	19%	19%	20%	22%	15%
Number of Total Customers**	*	773	698	691	640	*	698	664	624	695
Number of New Customers**	438	156	145	151	131	623	155	150	150	168

* Not historically provided.
**Customer count reflects end customer and excludes customers with maintenance only revenue of less than $5k on a quarterly basis.

Outlook

- **Q117**
  - Revenue of approximately $52 million
  - GAAP loss per share of approximately $0.30
  - Non GAAP loss per share of approximately $0.14[1]

- **First Half 2017**
  - Revenue of $105 million

- **Fiscal 2017**
  - Flat to low single digit revenue growth versus prior year
  - Comfortable with analyst Consensus estimate of Non-GAAP diluted earnings per share of $0.26[1], which equates to a GAAP loss per share of $0.35

1) Non-GAAP financial measures; please see reconciliation in presentation appendix.

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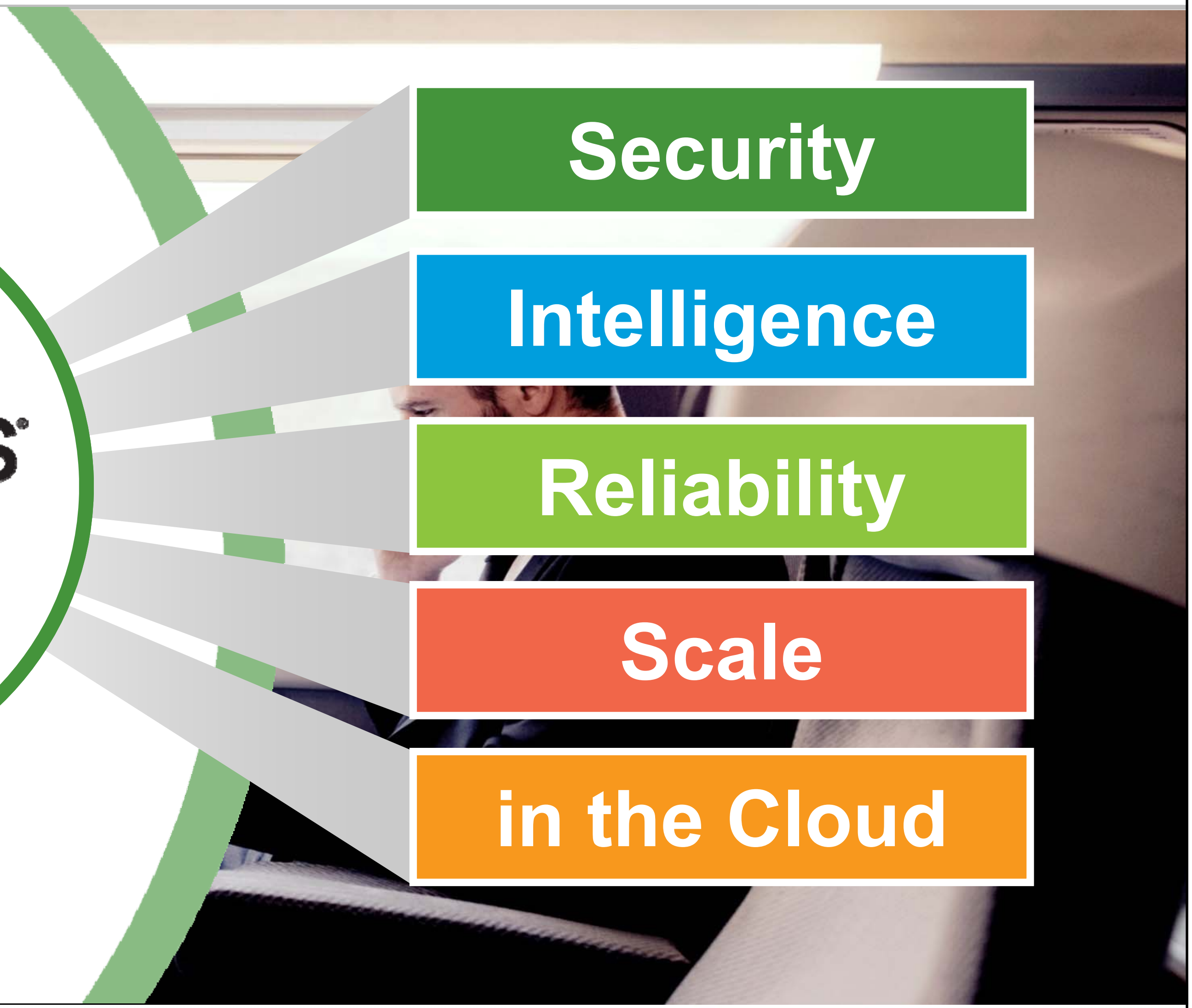
Has What Matters



Security

Intelligence

Reliability

Scale

in the Cloud

Appendix

Q416 and FY16 Results, excluding Taqua Acquisition

	Q416 Actuals	Q416 Guidance[2]	FY16 Actuals	FY16 Guidance[2]
Total Revenue	$65.8 M	$65M to $67M	$250.7M	$250M to $252M
Non-GAAP Gross Margin[1]	71.0%	69.0% to 69.5%	69.7%	69.0% to 69.5%
Non-GAAP Opex[1]	$38.8M	$39.5M to $40.5M	$153.3M	$154M to $155M
GAAP earnings (loss) per share	$0.03	($0.05) to ($0.02)	($0.18)	($0.27) to ($0.24)
Non-GAAP Diluted earnings per share[1]	$0.15	$0.09 to $0.12	$0.40	$0.33 to $0.36
Basic Shares	49.2M	49.5M	49.4M	49.5M
Diluted Shares	49.5M	50M	49.7M	50M

1) Non-GAAP financial measures; please see reconciliation in presentation appendix.
2) Guidance as provided on October 26, 2016.

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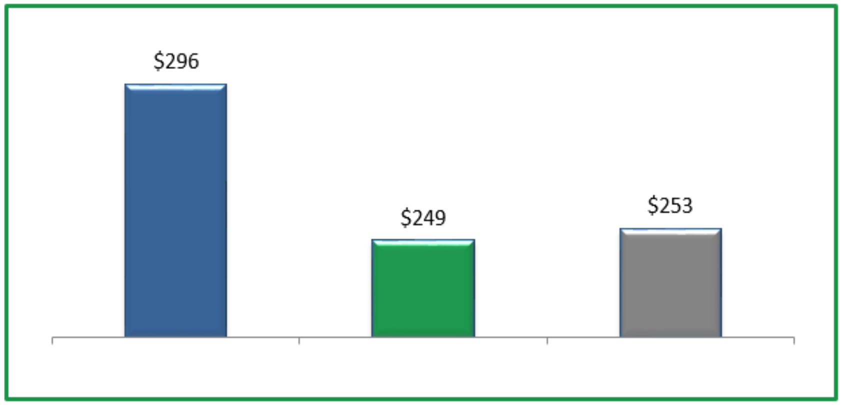
Full Year Actual GAAP Results

FY14 FY15 FY16

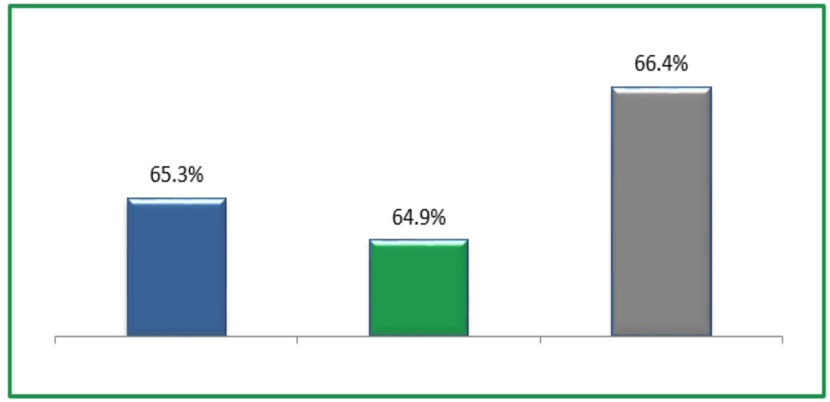
Revenue ($M)

FY14 FY15 FY16



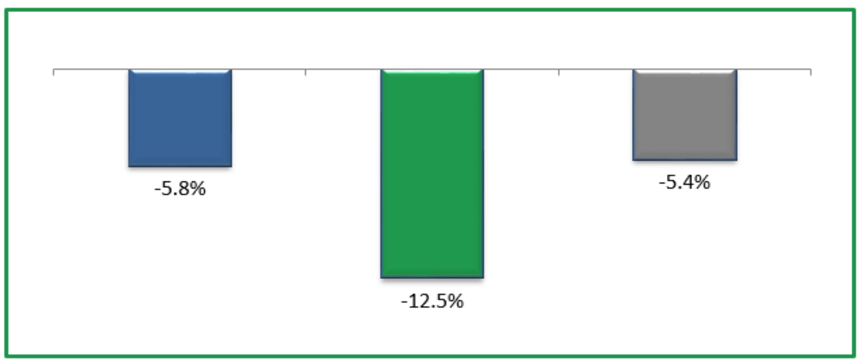
Gross Margins

FY14 FY15 FY16



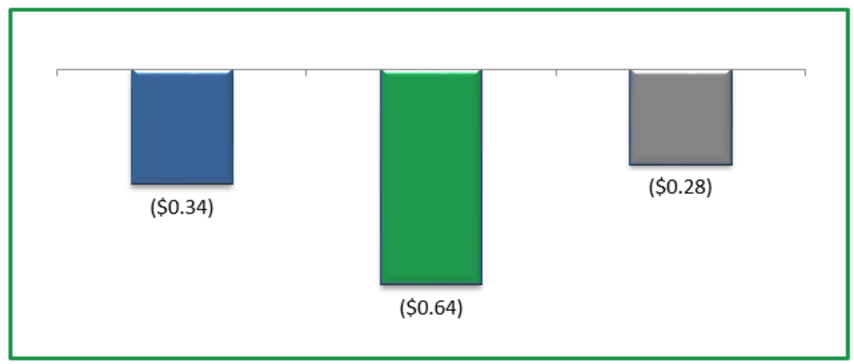
Operating Margins

FY14 FY15 FY16



Earnings/(Loss) Per Share

FY14 FY15 FY16



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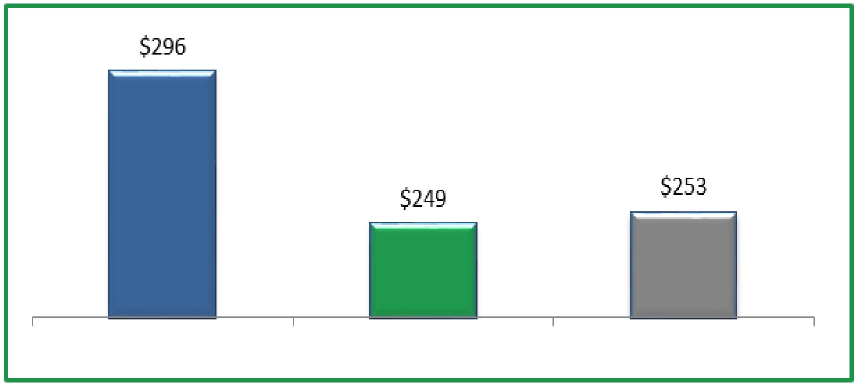
Full Year Actual Non-GAAP Results

FY14 FY15 FY16

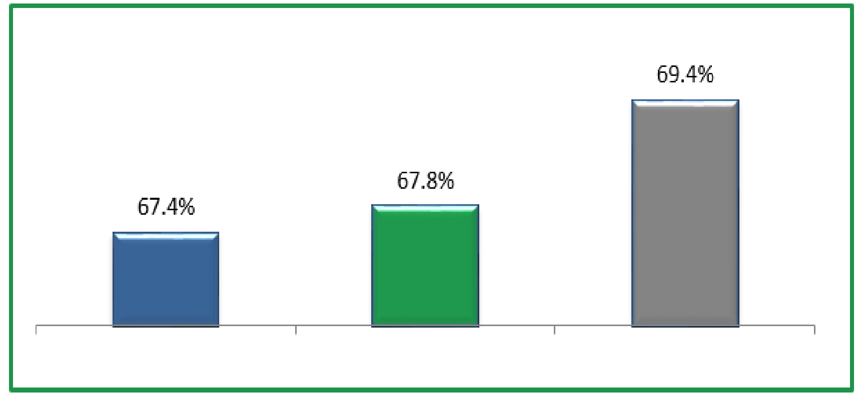
Revenue ($M)

FY14 FY15 FY16



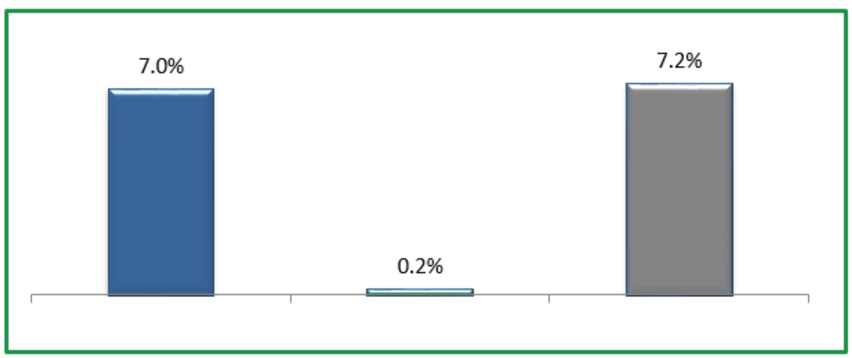
Gross Margins[1]

FY14 FY15 FY16



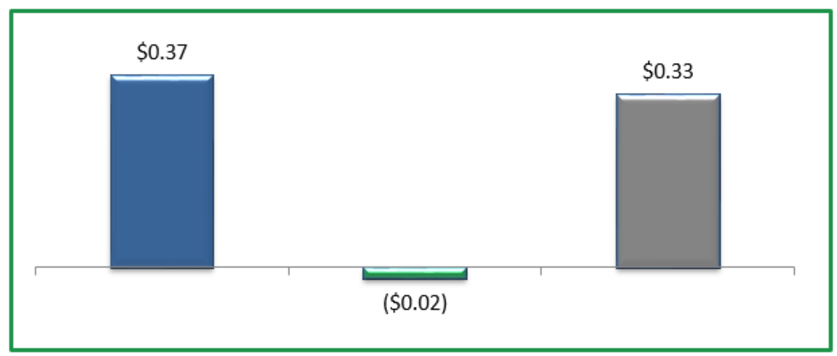
Operating Margins[1]

FY14 FY15 FY16



Earnings/(Loss) Per Share[1]

FY14 FY15 FY16



1) Non-GAAP financial measures. Please see reconciliation in presentation appendix .

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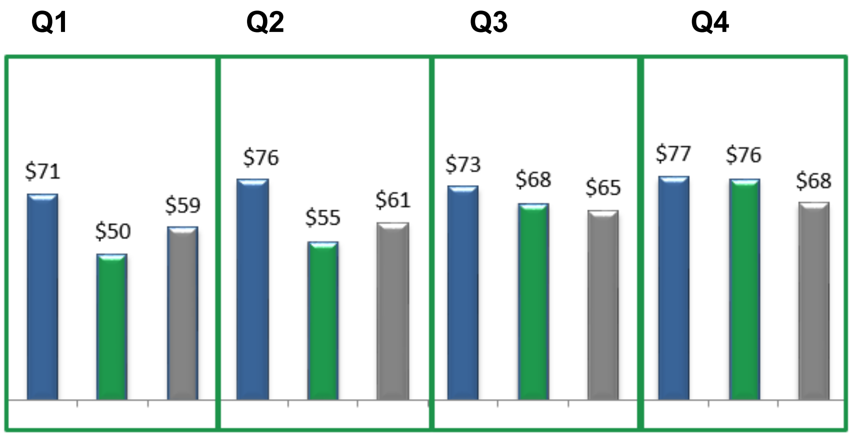
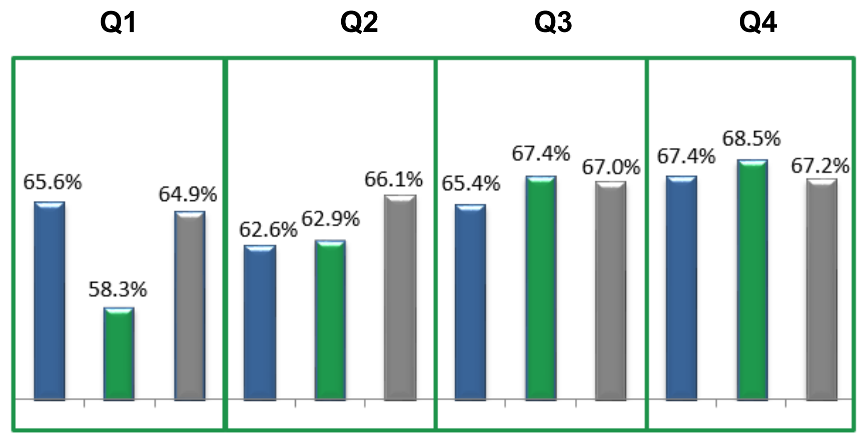
Quarterly Actual Results - GAAP

FY14 FY15 FY16

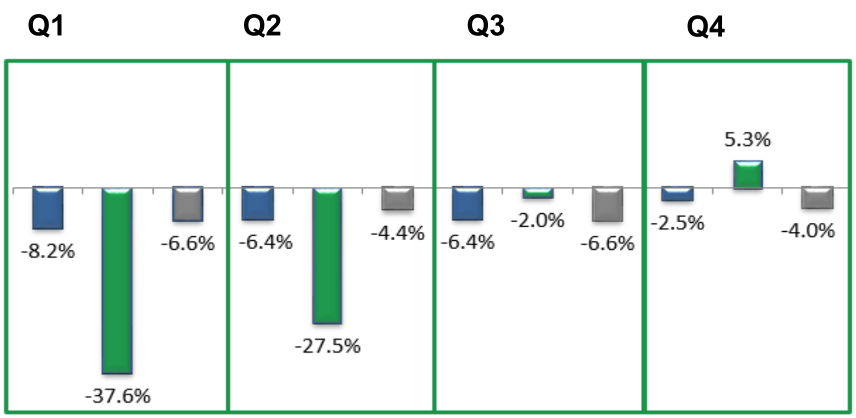
Revenue ($M)



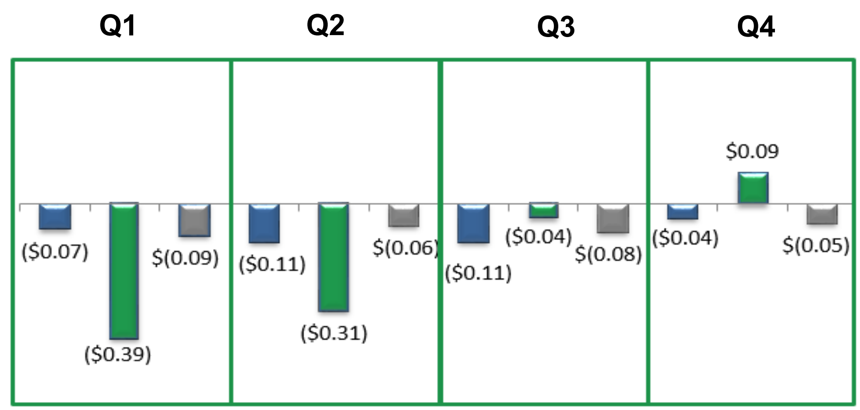
Gross Margins



Operating Margins



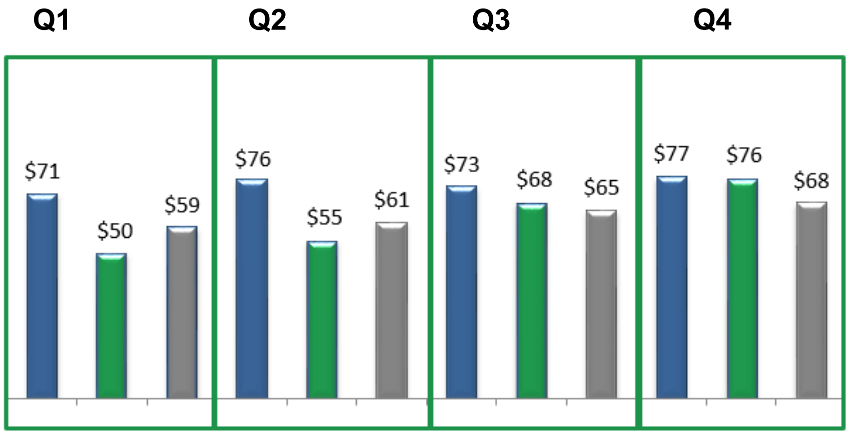
Earnings/(Loss) Per Share



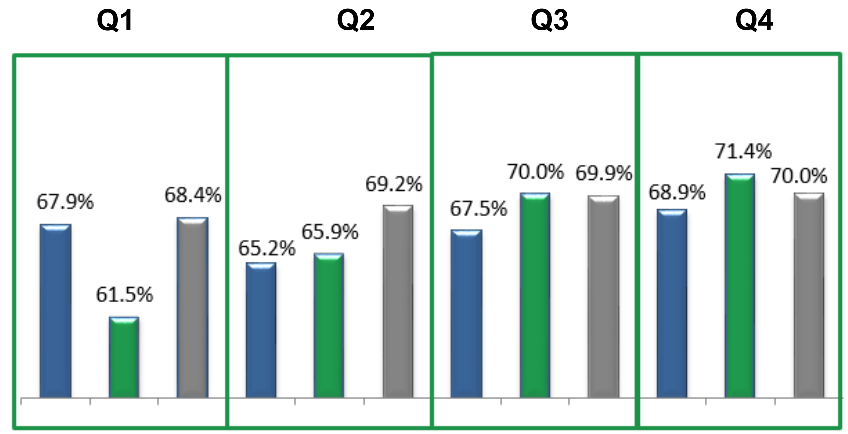
Quarterly Actual Results - Non-GAAP

FY14 FY15 FY16

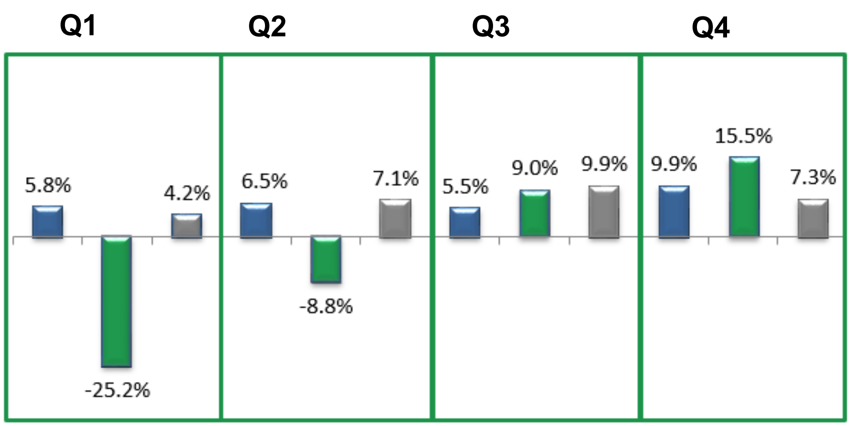
Revenue ($M)



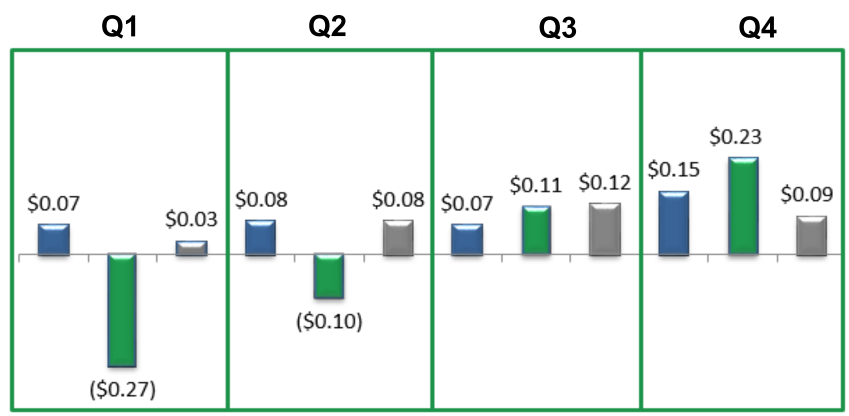
Gross Margins[1]



Operating Margins[1]



Earnings/(Loss) Per Share[1]



1) Non-GAAP financial measures. Please see reconciliation in presentation appendix .

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Discussion of Non-GAAP Financial Measures

Sonus management uses several 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 expenses and credits, including, but not limited to: the fair value write-up of acquired inventory, stock-based compensation, amortization of intangible assets, patent litigation settlement expense, depreciation expense for an abandoned facility, divestiture costs, acquisition-related expense, restructuring and certain gains included in other income (expense). We consider the use of non-GAAP earnings (loss) per share helpful in assessing the performance of the continuing operations of our business. While our management uses 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.

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 Performance Technologies, Incorporated ("PT"), we were required to increase the aggregate fair value of acquired inventory by $1.8 million. The acquired inventory was recorded as cost of product revenue through June 27, 2014. We believe that excluding the incremental cost of product revenue resulting from the fair value write-up of this acquired inventory facilities the comparison of our operating results to our historical results and to other companies in our industry as if the acquired inventory had been purchased by us initially and not acquired through a business combination.

Discussion of Non-GAAP Financial Measures (continued)

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 comparison of our financial statements to our historical operating results and to other companies in our industry.

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 June 2016, we recorded $0.6 million of patent litigation settlement costs. This amount is included as a component of General and administrative expense; however, we believe that such patent litigation settlement costs are not part of our core business or ongoing operations. Accordingly, we believe that excluding this patent litigation settlement expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

During the second quarter of 2015, we reached an agreement with the landlord of one of our previously restructured facilities to vacate the facility without penalty or future payments. As a result, we were able to vacate the facility earlier than originally planned. In connection with this settlement, we recorded incremental depreciation expense to account for the change in estimated life of the fixed assets related to this facility. We believe that excluding this incremental depreciation expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry, as such incremental depreciation expense is not related to our ongoing operations or our core business activities.

Discussion of Non-GAAP Financial Measures (continued)

In the second quarter of 2014, we sold the Multi-Protocol Server business that we acquired in connection with the acquisition of PT. 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 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.

We have recorded restructuring expense to streamline operations and reduce operating costs by closing and consolidating certain facilities and reducing our worldwide workforce. Additionally, as previously announced, we expect to record restructuring expense in connection with new restructuring initiatives over the next twelve months. We review our restructuring accruals regularly and record adjustments (both expense and credits) to these estimates as required. We believe that excluding restructuring expense and credits facilitates the comparison of our financial results to our historical operating results and to other companies in our industry, as there are no future revenue streams or other benefits associated with these costs.

In July 2016, we sold the Network Equipment Technologies, Inc. domain name to a third party and recognized a gain, net of commission and fees, of $0.8 million, and in December 2016, we sold a block of IP addresses which we had acquired in connection with our acquisition of PT and recognized a gain, net of commission and fees, of $0.5 million. In October 2015, we sold the PT domain name and recognized a gain, net of commission and fees, of $0.9 million. These amounts are included as components of Other Income, net in the respective fiscal years. We believe that such gains are not part of our core business or ongoing operations. Accordingly, we believe that excluding the other income arising from this sale facilitates the comparison of our financial results to our historical results and to other companies in our industry.

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Discussion of Non-GAAP Financial Measures (continued)

In the first quarter of 2014, we recorded 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 that we had written off in 2012. This amount is included as a component of Other income, net. We believe that excluding the other income arising from this settlement, which we believe is not part of our ongoing operations, facilitates the comparison of our results to our historical results and to 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.

R&D Expense as % of Revenue: GAAP to Non-GAAP Reconciliation

(in thousands, except percentages)	Year ended December 31, 2016
Revenue	$ 252,591
R&D expense	
GAAP research and development	$ 72,841
Stock-based compensation expense	(5,014)
Non-GAAP	$ 67,827
R&D as % of revenue	
GAAP research and development	28.8%
Stock-based compensation expense	-2.0%
Non-GAAP	26.9%

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Q416 Results: GAAP to Non-GAAP Reconciliation

(in thousands, except percentages and per share amounts)	Three months ended December 31, 2016 Sonus Only (excluding Taqua)		Taqua		Consolidated	
GAAP total gross margin		68.1%				67.2%
Stock-based compensation expense		0.7%				0.6%
Amortization of intangible assets		2.2%				2.2%
Non-GAAP total gross margin		71.0%				70.0%
GAAP operating expenses	$	43,469			$	48,098
Stock-based compensation expense		(3,875)				(3,875)
Amortization of intangible assets		(319)				(506)
Acquisition-related expense		(198)				(201)
Restructuring		(315)				(1,120)
Non-GAAP operating expenses	$	38,762			$	42,396
GAAP income (loss) per share	$	0.03	$	(0.08)	$	(0.05)
Stock-based compensation expense		0.09		-		0.09
Amortization of intangible assets		0.04		*		0.04
Acquisition-related expense		*		*		*
Restructuring		*		0.02		0.02
Gain on sale of IP address blocks		(0.01)		-		(0.01)
Non-GAAP income (loss) per share	$	0.15	$	(0.06)	$	0.09

* Less than $0.01 impact on loss per share

Sonus

Q416 Guidance: GAAP to Non-GAAP Reconciliation

	Three months ending December 31, 2016 (A)				
	Sonus Only (excluding Taqua)		Taqua	Consolidated	
(in millions, except percentages and per share amounts)	Range			Range	
Revenue	$ 65.0	$ 67.0	$ 1.8	$ 66.8	$ 68.8
Gross margin					
GAAP outlook	66.0%	66.6%		64.1%	64.7%
Stock-based compensation expense	0.7%	0.7%		0.7%	0.7%
Amortization of intangible assets	2.3%	2.2%		2.9%	2.8%
Fair value write-up of acquired inventory	0.0%	0.0%		0.3%	0.3%
Non-GAAP guidance	69.0%	69.5%		68.0%	68.5%
Operating expenses					
GAAP outlook	$ 44.4	$ 45.4		$ 48.8	$ 49.8
Stock-based compensation expense	(4.6)	(4.6)		(4.6)	(4.6)
Amortization of intangible assets	(0.3)	(0.3)		(0.6)	(0.6)
Restructuring	-	-		(0.6)	(0.6)
Non-GAAP guidance	$ 39.5	$ 40.5		$ 43.0	$ 44.0
Income (loss) per share					
GAAP outlook	$ (0.05)	$ (0.02)	$ (0.08)	$ (0.13)	$ (0.10)
Stock-based compensation expense	0.10	0.10	-	0.10	0.10
Amortization of intangible assets	0.04	0.04	0.02	0.06	0.06
Fair value write-up of acquired inventory	-	-	*	*	*
Restructuring	-	-	0.01	0.01	0.01
Non-GAAP guidance	$ 0.09	$ 0.12	$ (0.05)	$ 0.04	$ 0.07

* Less than $0.01 impact on loss per share

(A) As provided by the Company on October 26, 2016

FY16 Results: GAAP to Non-GAAP Reconciliation

(in thousands, except percentages and per share amounts)	Year ended December 31, 2016 Sonus Only (excluding Taqua)	Taqua	Consolidated
GAAP total gross margin	66.6%		66.4%
Stock-based compensation expense	0.7%		0.7%
Amortization of intangible assets	2.4%		2.3%
Non-GAAP total gross margin	69.7%		69.4%
GAAP operating expenses	$ 175,924		$ 181,220
Stock-based compensation expense	(18,095)		(18,095)
Amortization of intangible assets	(1,275)		(1,462)
Patent litigation settlement	(605)		(605)
Acquisition-related expense	(1,149)		(1,152)
Restructuring	(1,551)		(2,740)
Non-GAAP operating expenses	$ 153,249		$ 157,166
GAAP loss per share	$ (0.18)	$ (0.10)	$ (0.28)
Stock-based compensation expense	0.40	-	0.40
Amortization of intangible assets	0.15	*	0.15
Patent litigation settlement	0.01	-	0.01
Acquisition-related expense	0.02	*	0.02
Restructuring	0.03	0.03	0.06
Gains on sales of domain name and IP address blocks	(0.03)	-	(0.03)
Non-GAAP income (loss) per share	$ 0.40	$ (0.07)	$ 0.33

* Less than $0.01 impact on loss per share

Sonus

FY16 Guidance: GAAP to Non-GAAP Reconciliation

(in millions, except percentages and per share amounts)	Year ending December 31, 2016 (A)									
	Sonus Only (excluding Taqua)				Taqua		Consolidated			
	Range				Range		Range			
Revenue	$	250.0	$	252.0	$	2.0	$	252.0	$	254.0
Gross margin										
GAAP outlook		65.9%		66.4%				65.7%		66.2%
Stock-based compensation expense		0.7%		0.7%				0.7%		0.7%
Amortization of intangible assets		2.4%		2.4%				2.5%		2.5%
Fair value write-up of acquired inventory		0.0%		0.0%				0.1%		0.1%
Non-GAAP guidance		69.0%		69.5%				69.0%		69.5%
Operating expenses										
GAAP outlook	$	176.9	$	177.9			$	181.7	$	182.7
Stock-based compensation expense		(18.8)		(18.8)				(18.8)		(18.8)
Amortization of intangible assets		(1.3)		(1.3)				(1.6)		(1.6)
Patent litigation settlement expense		(1.0)		(1.0)				(1.0)		(1.0)
Acquisition-related expense		(0.6)		(0.6)				(0.6)		(0.6)
Restructuring		(1.2)		(1.2)				(2.2)		(2.2)
Non-GAAP guidance	$	154.0	$	155.0			$	157.5	$	158.5
Income (loss) per share										
GAAP outlook	$	(0.27)	$	(0.24)	$	(0.10)	$	(0.36)	$	(0.33)
Stock-based compensation expense		0.41		0.41		-		0.41		0.41
Amortization of intangible assets		0.15		0.15		0.02		0.17		0.17
Fair value write-up of acquired inventory		-		-		*		*		*
Patent litigation settlement expense		0.01		0.01		-		0.01		0.01
Acquisition-related expense		0.02		0.02		-		0.02		0.02
Restructuring		0.03		0.03		0.02		0.04		0.04
Gain on sale of domain name		(0.02)		(0.02)		-		(0.02)		(0.02)
Non-GAAP guidance	$	0.33	$	0.36	$	(0.06)	$	0.27	$	0.30

* Less than $0.01 impact on loss per share

(A) As provided by the Company on October 26, 2016

Q117 and FY17 Outlook and Analyst Consensus: GAAP to Non-GAAP Reconciliation

		Three months ending March 31, 2017
Loss per share		
GAAP outlook	$	(0.30)
Stock-based compensation expense		0.09
Amortization of intangible assets		0.05
Restructuring		0.02
Non-GAAP outlook	$	(0.14)

		Year ending December 31, 2017
Income (loss) per share		
GAAP loss per share	$	(0.35)
Stock-based compensation expense		0.38
Amortization of intangible assets		0.19
Restructuring		0.06
Deferred tax asset adjustment		(0.02)
Non-GAAP analyst consensus	$	0.26

Fiscal Year Actuals: GAAP to Non-GAAP Reconciliation

	FY14	FY15	FY16
GAAP total gross margin	65.3%	64.9%	66.4%
Stock-based compensation expense	0.6%	0.7%	0.7%
Amortization of intangible assets	0.9%	2.2%	2.3%
Fair value write-up of acquired inventory	0.6%	0.0%	0.0%
Non-GAAP total gross margin	67.4%	67.8%	69.4%
GAAP loss from operations as a percentage of revenue (operating margin)	-5.8%	-12.5%	-5.4%
Fair value write-up of acquired inventory	0.6%	0.0%	0.0%
Stock-based compensation expense	8.1%	8.5%	7.8%
Amortization of intangible assets	1.6%	2.9%	3.0%
Patent litigation settlement expense	0.0%	0.0%	0.2%
Depreciation expense for abandoned facility	0.0%	0.3%	0.0%
Divestiture costs	0.1%	0.0%	0.0%
Acquisition-related expense	0.5%	0.1%	0.5%
Restructuring	1.9%	0.9%	1.1%
Non-GAAP income (loss) from operations as a percentage of revenue (operating margin)	7.0%	0.2%	7.2%

Fiscal Year Actuals: GAAP to Non-GAAP Reconciliation

	FY14	FY15	FY16
GAAP loss per share	$ (0.34)	$ (0.64)	$ (0.28)
Fair value write-up of acquired inventory	0.03	-	-
Stock-based compensation expense	0.48	0.45	0.40
Amortization of intangible assets	0.09	0.14	0.15
Patent litigation settlement expense	-	-	0.01
Depreciation expense for abandoned facility	-	0.01	-
Divestiture costs	0.01	-	-
Acquisition-related expense	0.03	*	0.02
Restructuring	0.11	0.04	0.06
Gains on sales of domain names and IP address blocks	-	(0.02)	(0.03)
Litigation settlement - prepaid licenses	(0.04)	-	-
Non-GAAP diluted earnings (loss) per share	$ 0.37	$ (0.02)	$ 0.33

* Less than $0.01 impact on loss per share

Quarterly GAAP to Non-GAAP Reconciliation

	Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415	Q116	Q216	Q316	Q416
GAAP total gross margin	65.6%	62.6%	65.4%	67.4%	58.3%	62.9%	67.4%	68.5%	64.9%	66.1%	67.0%	67.2%
Stock-based compensation expense	0.5%	0.7%	0.7%	0.6%	0.9%	0.9%	0.7%	0.6%	0.7%	0.7%	0.7%	0.6%
Amortization of intangible assets	0.9%	0.9%	0.9%	0.9%	2.3%	2.1%	1.9%	2.3%	2.8%	2.4%	2.2%	2.2%
Fair value write-up of acquired inventory	0.9%	1.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP total gross margin	67.9%	65.2%	67.5%	68.9%	61.5%	65.9%	70.0%	71.4%	68.4%	69.2%	69.9%	70.0%
GAAP income (loss) from operations as a percentage of revenue (operating margin)	-8.2%	-6.4%	-6.4%	-2.5%	-37.6%	-27.5%	-2.0%	5.3%	-6.6%	-4.4%	-6.6%	-4.0%
Fair value write-up of acquired inventory	0.8%	1.1%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Stock-based compensation expense	8.2%	9.2%	8.9%	6.1%	9.6%	12.5%	7.7%	6.3%	7.5%	7.6%	9.8%	6.3%
Amortization of intangible assets	1.5%	1.6%	1.6%	1.6%	3.3%	2.9%	2.6%	2.8%	3.3%	2.9%	2.7%	3.0%
Patent litigation settlement expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%
Depreciation expense for abandoned facility	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Divestiture costs	0.0%	0.5%	*	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Acquisition-related expense	1.8%	0.0%	0.0%	0.3%	0.2%	*	0.0%	0.0%	0.0%	0.0%	1.5%	0.3%
Restructuring	1.7%	0.5%	0.9%	4.4%	-0.7%	2.7%	0.2%	1.1%	0.0%	0.0%	2.5%	1.7%
Non-GAAP income (loss) from operations as a percentage of revenue (operating margin)	5.8%	6.5%	5.5%	9.9%	-25.2%	-8.8%	9.0%	15.5%	4.2%	7.1%	9.9%	7.3%
GAAP diluted earnings (loss) per share	$ (0.07)	$ (0.11)	$ (0.11)	$ (0.04)	$ (0.39)	$ (0.31)	$ (0.04)	$ 0.09	$ (0.09)	$ (0.06)	$ (0.08)	$ (0.05)
Fair value write-up of acquired inventory	0.01	0.02	0.01	-	-	-	-	-	-	-	-	-
Stock-based compensation expense	0.11	0.13	0.14	0.09	0.10	0.14	0.11	0.10	0.08	0.09	0.13	0.09
Amortization of intangible assets	0.02	0.02	0.02	0.02	0.03	0.03	0.03	0.04	0.04	0.04	0.04	0.04
Patent litigation settlement expense	-	-	-	-	-	-	-	-	-	0.01	-	-
Depreciation expense for abandoned facility	-	-	-	-	-	0.01	0.01	-	-	-	-	-
Divestiture costs	-	0.01	**	-	-	-	-	-	-	-	-	-
Acquisition-related expense	0.02	-	-	0.01	**	**	-	-	-	-	0.02	**
Restructuring	0.02	0.01	0.01	0.07	(0.01)	0.03	**	0.02	-	-	0.03	0.02
Gains on sales of domain names and IP address blocks	-	-	-	-	-	-	-	(0.02)	-	-	(0.02)	(0.01)
Litigation settlement - prepaid licenses	(0.04)	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP diluted earnings (loss) per share	$ 0.07	$ 0.08	$ 0.07	$ 0.15	$ (0.27)	$ (0.10)	$ 0.11	$ 0.23	$ 0.03	$ 0.08	$ 0.12	$ 0.09

* Less than 0.1% impact on income (loss) from operations as a percentage of revenue

** Less than $0.01 impact on income (loss) per share

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