

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

Notes	Three months ended			Year ended	
	December 31, 2011	September 30, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Revenue					
Product	\$ 47,082	\$ 41,892	\$ 54,118	\$ 154,373	\$ 146,583
Service	27,190	24,461	28,861	105,323	102,724
Total revenue	<u>\$ 74,272</u>	<u>\$ 66,353</u>	<u>\$ 82,979</u>	<u>\$ 259,696</u>	<u>\$ 249,307</u>
Gross profit					
Product	\$ 33,436	\$ 30,388	\$ 36,313	\$ 96,444	\$ 98,420
Service	13,908	11,828	16,370	49,677	54,732
Total gross profit	<u>\$ 47,344</u>	<u>\$ 42,216</u>	<u>\$ 52,683</u>	<u>\$ 146,121</u>	<u>\$ 153,152</u>
GAAP Gross margin - product	71.0%	72.5%	67.1%	62.5%	67.1%
Stock-based compensation expense	A 0.2%	0.3%	0.2%	0.2%	0.3%
Amortization of intangible assets	B 0.0%	0.0%	0.4%	0.0%	0.2%
Non-GAAP Gross margin - product	<u>71.2%</u>	<u>72.8%</u>	<u>67.7%</u>	<u>62.7%</u>	<u>67.6%</u>
GAAP Gross margin - service	51.2%	48.4%	56.7%	47.2%	53.3%
Stock-based compensation expense	A 0.6%	1.0%	1.4%	1.1%	1.6%
Non-GAAP Gross margin - service	<u>51.8%</u>	<u>49.4%</u>	<u>58.1%</u>	<u>48.3%</u>	<u>54.9%</u>
GAAP Total gross profit	\$ 47,344	\$ 42,216	\$ 52,683	\$ 146,121	\$ 153,152
Stock-based compensation expense	A 252	358	505	1,601	1,989
Amortization of intangible assets	B -	-	228	-	341
Non-GAAP Total gross profit	<u>\$ 47,596</u>	<u>\$ 42,574</u>	<u>\$ 53,416</u>	<u>\$ 147,722</u>	<u>\$ 155,482</u>
GAAP Total gross margin	63.7%	63.6%	63.5%	56.3%	61.4%
Stock-based compensation expense % of revenue	A 0.4%	0.6%	0.6%	0.6%	0.9%
Amortization of intangible assets % of revenue	B 0.0%	0.0%	0.3%	0.0%	0.1%
Non-GAAP Total gross margin	<u>64.1%</u>	<u>64.2%</u>	<u>64.4%</u>	<u>56.9%</u>	<u>62.4%</u>
GAAP Research and development expense	\$ 17,384	\$ 16,231	\$ 16,514	\$ 64,410	\$ 62,786
Stock-based compensation expense	A (480)	(505)	(626)	(2,045)	(2,514)
Amortization of intangible assets	B (100)	(100)	(100)	(400)	(400)
Non-GAAP Research and development expense	<u>\$ 16,804</u>	<u>\$ 15,626</u>	<u>\$ 15,788</u>	<u>\$ 61,965</u>	<u>\$ 59,872</u>
GAAP Sales and marketing expense	\$ 17,033	\$ 14,651	\$ 13,211	\$ 59,279	\$ 51,033
Stock-based compensation expense	A (349)	(408)	(597)	(1,817)	(2,661)
Non-GAAP Sales and marketing expense	<u>\$ 16,684</u>	<u>\$ 14,243</u>	<u>\$ 12,614</u>	<u>\$ 57,462</u>	<u>\$ 48,372</u>
GAAP General and administrative expense	\$ 8,431	\$ 10,133	\$ 11,119	\$ 34,957	\$ 49,391
Stock-based compensation expense	A (476)	(796)	(1,147)	(2,402)	(8,121)
Non-GAAP General and administrative expense	<u>\$ 7,955</u>	<u>\$ 9,337</u>	<u>\$ 9,972</u>	<u>\$ 32,555</u>	<u>\$ 41,270</u>
GAAP Restructuring	\$ -	\$ -	\$ 387	\$ -	\$ 1,501
Restructuring	C -	-	(387)	-	(1,501)
Non-GAAP Restructuring	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Operating expenses	\$ 42,848	\$ 41,015	\$ 41,231	\$ 158,646	\$ 164,711
Stock-based compensation expense	A (1,305)	(1,709)	(2,370)	(6,264)	(13,296)
Amortization of intangible assets	B (100)	(100)	(100)	(400)	(400)
Restructuring	C -	-	(387)	-	(1,501)
Non-GAAP Operating expenses	<u>\$ 41,443</u>	<u>\$ 39,206</u>	<u>\$ 38,374</u>	<u>\$ 151,982</u>	<u>\$ 149,514</u>
GAAP Income (loss) from operations	\$ 4,496	\$ 1,201	\$ 11,452	\$ (12,525)	\$ (11,559)
Stock-based compensation expense	A 1,557	2,067	2,875	7,865	15,285
Amortization of intangible assets	B 100	100	328	400	741
Restructuring	C -	-	387	-	1,501
Non-GAAP Income (loss) from operations	<u>\$ 6,153</u>	<u>\$ 3,368</u>	<u>\$ 15,042</u>	<u>\$ (4,260)</u>	<u>\$ 5,968</u>
GAAP Net income (loss)	\$ 3,730	\$ 1,909	\$ 11,410	\$ (12,703)	\$ (10,691)
Stock-based compensation expense	A 1,557	2,067	2,875	7,865	15,285
Amortization of intangible assets	B 100	100	328	400	741
Restructuring	C -	-	387	-	1,501
Non-GAAP Net income (loss)	<u>\$ 5,387</u>	<u>\$ 4,076</u>	<u>\$ 15,000</u>	<u>\$ (4,438)</u>	<u>\$ 6,836</u>
Net earnings (loss) per share - diluted					
GAAP	\$ 0.01	\$ 0.01	\$ 0.04	\$ (0.05)	\$ (0.04)
Non-GAAP	\$ 0.02	\$ 0.01	\$ 0.05	\$ (0.02)	\$ 0.02
Shares used in computing diluted net earnings (loss) per share					
GAAP Shares used to compute diluted net earnings or net loss per share	279,565	279,324	278,096	278,540	275,470
Non-GAAP Shares used to compute diluted net earnings or net loss per share	279,565	279,324	278,096	278,540	277,126

SONUS NETWORKS, INC.
Reconciliation Between GAAP and Non-GAAP Financial Measures
(In millions, except percentages and per share amounts)
(unaudited)

The following tables include non-GAAP measures provided as outlook for the three months ended March 30, 2012 and year ended December 31, 2012 derived from our GAAP (accounting principles generally accepted in the United States) 2011 outlook. This non-GAAP outlook for gross margin, operating expenses and earnings (loss) per share is not presented in accordance with, nor is it intended to be a substitute for, GAAP. In addition, our presentations of these measures may not be comparable to similarly titled measures used by other companies. The non-GAAP measures provided as outlook 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. These items for the periods presented are Stock-based compensation expense and Amortization of intangible assets.

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.

	Notes	Three months ended March 30, 2012 (A)		Year ended December 31, 2012	
		Range		Range	
Revenue		\$ 57	\$ 59	\$ 270	\$ 280
Gross margin					
GAAP outlook		61.1%	62.2%	58.2%	60.2%
Stock-based compensation	A	0.9%	0.8%	0.8%	0.8%
Non-GAAP outlook		<u>62.0%</u>	<u>63.0%</u>	<u>59.0%</u>	<u>61.0%</u>
Operating expenses					
GAAP outlook		\$ 44.2	\$ 45.2	\$ 172.1	\$ 177.1
Stock-based compensation	A	(1.1)	(1.1)	(6.7)	(6.7)
Amortization of intangible assets	B	(0.1)	(0.1)	(0.4)	(0.4)
Non-GAAP outlook		<u>\$ 43.0</u>	<u>\$ 44.0</u>	<u>\$ 165.0</u>	<u>\$ 170.0</u>
Earnings (loss) per share					
GAAP outlook		\$ (0.04)	\$ (0.03)	\$ (0.05)	\$ (0.04)
Stock-based compensation expense	A	0.01	0.01	0.03	0.03
Amortization of intangible assets	B	-	-	-	-
Non-GAAP outlook		<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>

(A) Effective fiscal 2012, the Company will report its first, second and third quarters of each fiscal year on a 4-4-5 basis. The Company's fiscal year-end will continue to be December 31.