First Quarter 2014 Operating Results Conference Call

April 24, 2014

Sonus

Cautionary Note Regarding Forward-Looking Statements

- The information in 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 sections “Q214 and FY14 Guidance” and “Driving Operating Leverage,” statements regarding our future results of operations and financial position, business strategy, plans and objectives of management for future operations and plans for future product development and manufacturing, and statements regarding the impact of the PT transaction on Sonus’ financial results, business performance and product offerings, 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 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 activities; our ability to realize benefits from the NET and PT acquisitions; the effects of disruption from the PT transaction, making it more difficult to maintain relationships with employees, customers, business partners or government entities; the success implementing the integration strategies of NET and PT; 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 IA “Risk Factors”, Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk” in the Company’s most recent Annual Report on Form 10-K. 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.

First Quarter 2014 Highlights & Strategic Context

Ray Dolan, President & CEO

Q114 Highlights

1

Strong Financial Results Exceeded All Guidance Metrics

Comparison to Q113:

- Total Revenue +12%
- SBC Revenue +14%
- Gross Margins +690 bps
- Positive Non-GAAP EPS

2

Strong Commercial Execution & Product Innovation

- 173 new customers
- Launched SBC 7000, sets new performance standard for real-time multimedia
- Closed PT acquisition, strengthening mobility and virtualization strategies

3

Continued Shareholder-Friendly Return of Capital

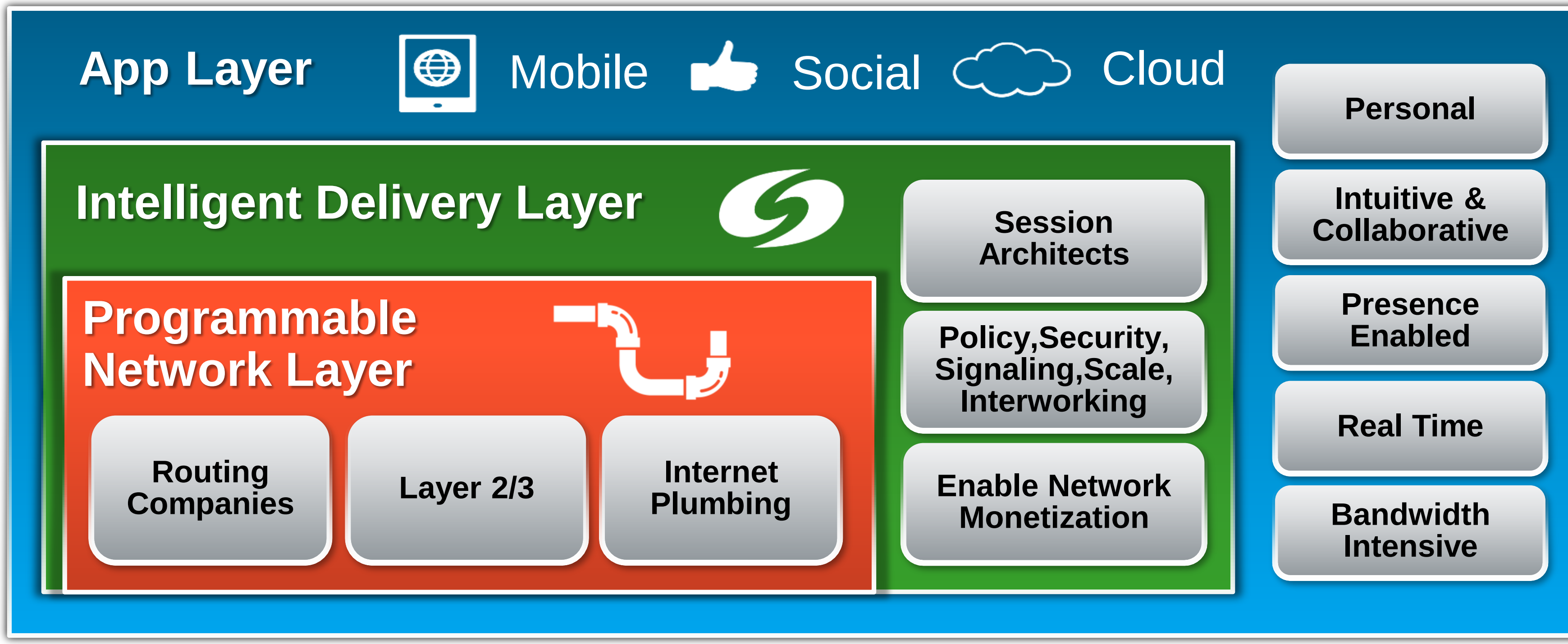
- Repurchased 21.5M shares from top holder, reducing concentration from ~22% to ~7.5%
- ~$40M remains available for future repurchases

Strong Start to Year

Recent Customer Wins

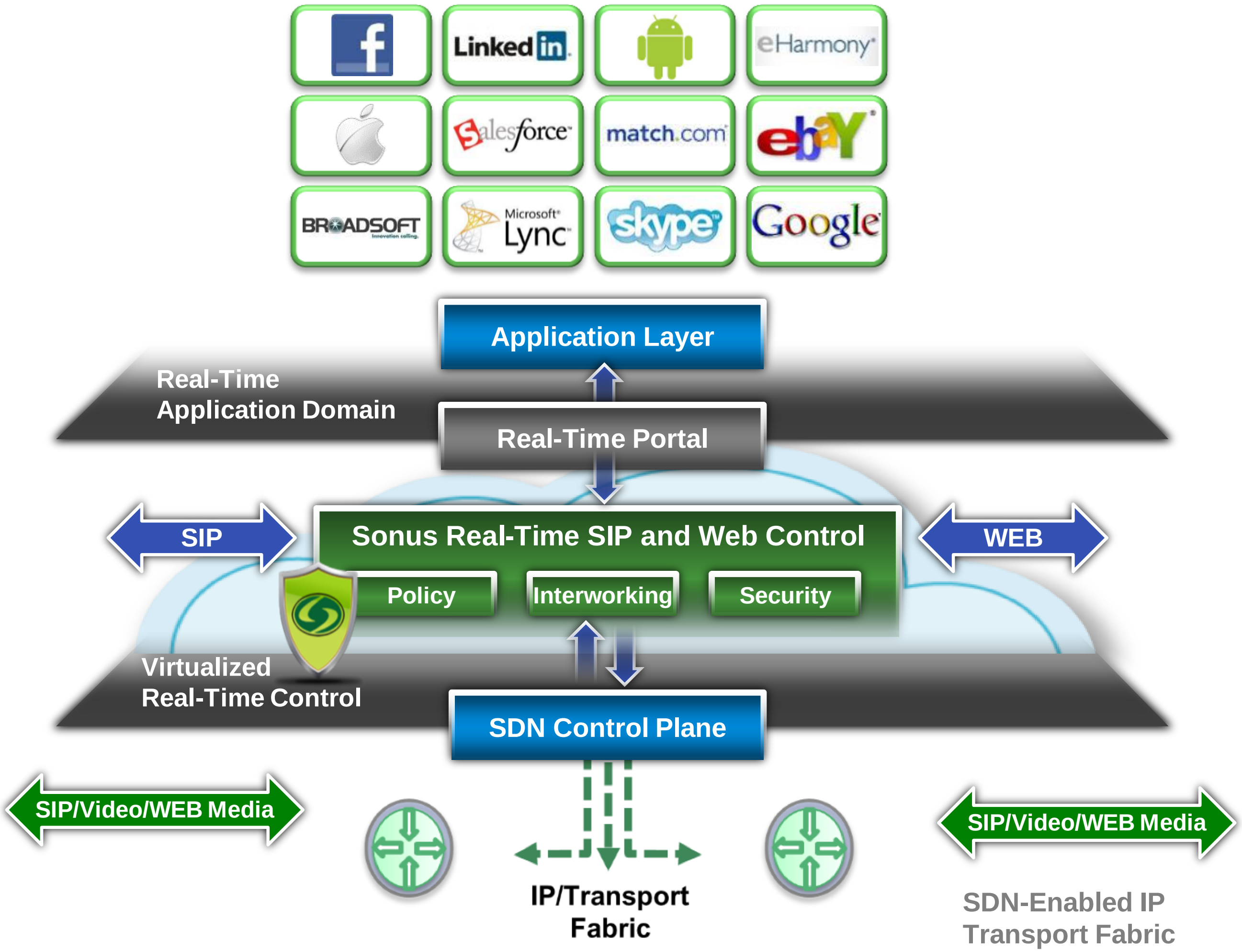
Enterprise	Interconnect	SIP Trunking	UcaaS / VoIP	Mobility
Reed Elsevier Shell MathWorks	Tier 1 APAC SP verizon	Tier 1 NA SP XO communications	Tier 1 MSO RingCentral	Market leader in 4G/LTE enablement
Sonus SBC Sonus PSX (Policy)	Sonus SBC Sonus PSX	Sonus SBC Sonus PSX	Sonus SBC Sonus PSX	Sonus DSC

Sonus Strategically Positioned



Sonus Strategically Positioned at Intersection of Programmable Network and Application Layer

Application Enablement in the New Network



Why is Sonus Strategically Positioned?

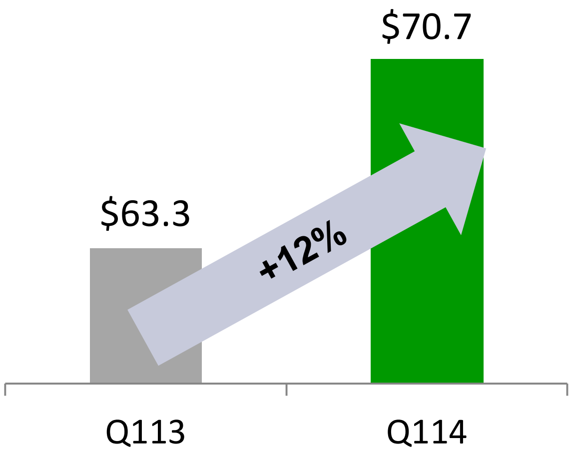
- Applications embedding real-time communications
- Sonus already embedded in world's largest real-time networks
- Sonus leading in virtualization
- Sonus DNA in *security*, *policy, interworking signaling* and *scale* increasingly relevant for future

First Quarter 2014 Financial Results & Guidance

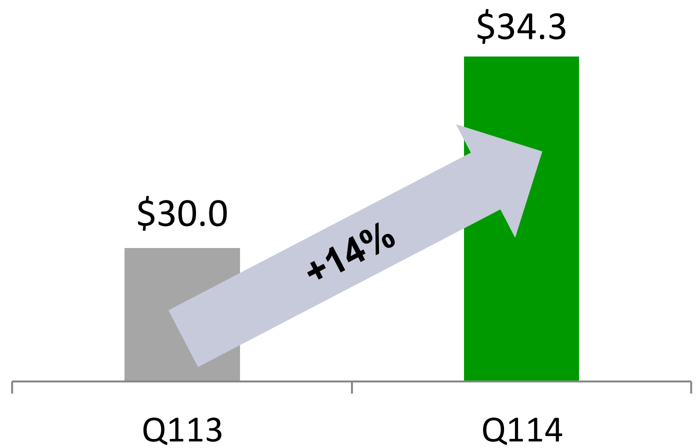
Mark Greenquist, CFO

Q113 vs. Q114

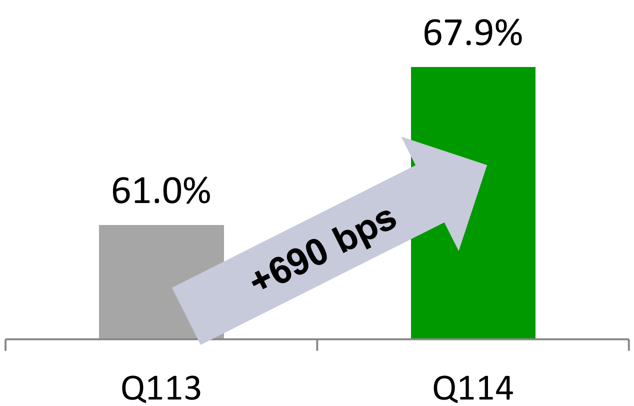
Total Revenue



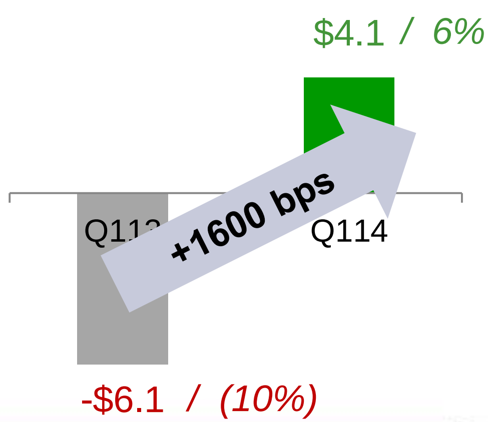
Total SBC/DSC Revenue



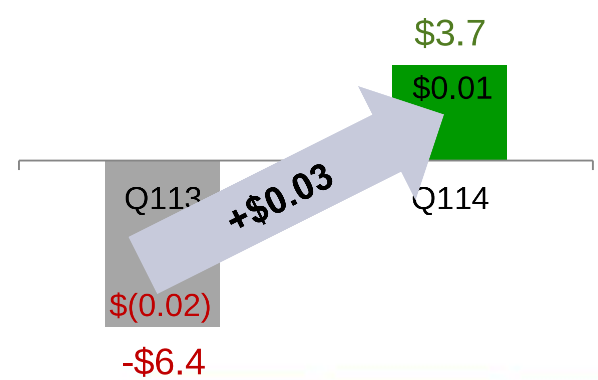
Gross Margin[1]



Operating Income / Op Margin[1]



Net Income & EPS[1]



1) Non-GAAP financial measures

Q114 Results Exceed All Guidance Metrics

	Q114 Actual	Q114 Guidance[3]	Q113 Actual	*YoY Change*
Total Company Revenue	**$70.7M**	$70M	$63.3M	*+12%*
SBC/DSC Total Revenue[1]	**$34.3M**	$33M	$30.0M	*+14%*
Gross Margin[2]	**67.9%**	63.0%	61.0%	*+690 bps*
Opex[2]	**$43.9M**	$46M	$44.7M	*(2%)*
EPS[2]	**$0.01**	$(0.01)	$(0.02)	*+$0.03*
Total Diluted Shares	**265.4M**	266M	281.5M	*(12.5M)*

1) SBC/DSC Total Revenue includes product, maintenance and services; SBC is Session Border Controller and DSC is Diameter Signaling Controller
2) Non-GAAP financial measures
3) Guidance as provided on 2/20/14 earnings call and press release

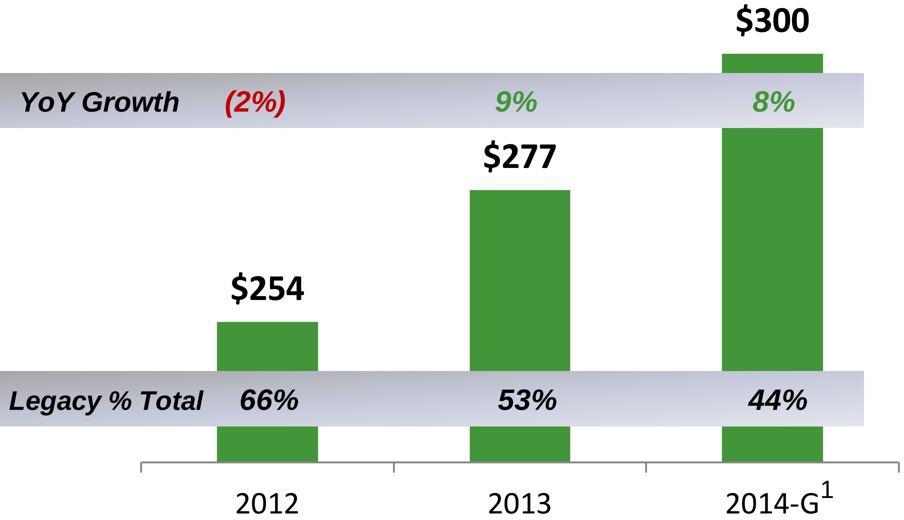
Q214 and FY14 Guidance

	Q214 Guidance	FY14 Guidance[3]
Total Company Revenue	$73M to $75M	$300M
SBC/DSC Total Revenue[1]	$33M to $35M	$168M
Gross Margin[2]	65.0% to 65.5%	Not provided
Opex[2]	$45M to $46M	Not provided
EPS[2]	$0.01	$0.05
Total Diluted Shares	251M	255M

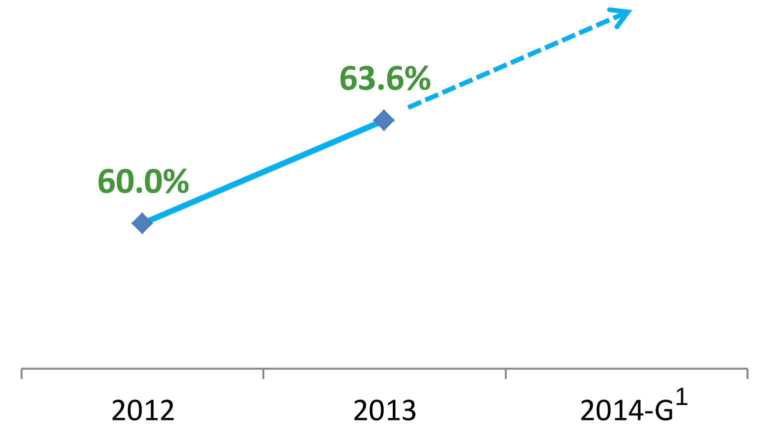
1) SBC/DSC Total Revenue includes product, maintenance and services (SBC is Session Border Controller and DSC is Diameter Signaling Controller)
2) Non-GAAP financial measures
3) FY14 Total Company Revenue guidance of $300 million includes approximately $15 million from PT. FY14 SBC/DSC Total Revenue guidance of $168M includes approximately $3 million from PT DSC. FY14 EPS of $0.05 includes a loss of approximately $0.01 from PT.

Driving Operating Leverage

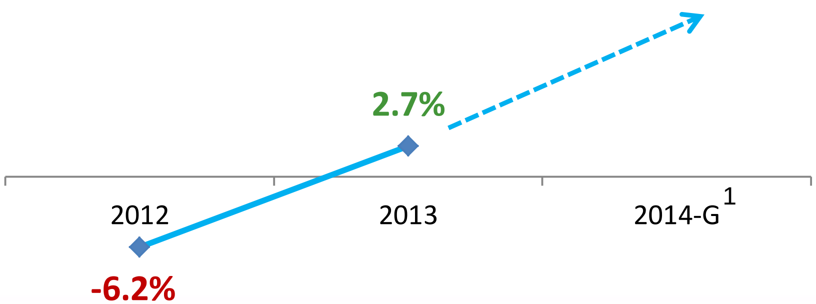
Revenue Growing ($M)



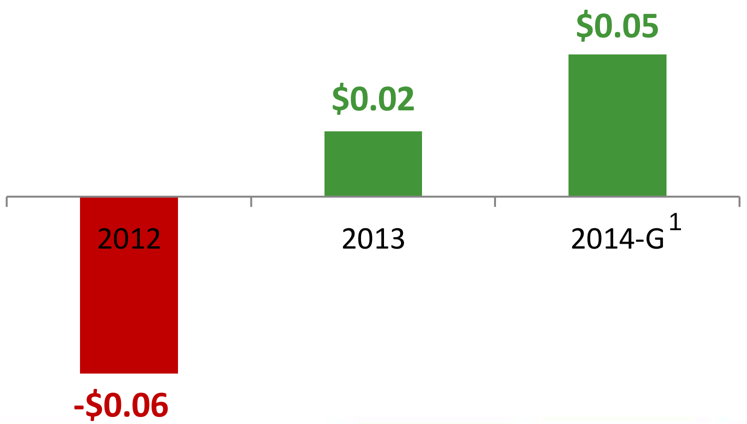
Gross Margins Expanding[2]



Operating Margins Expanding[2]



Earnings Growing[2]



1) "2014-G" refers to guidance.
2) Non-GAAP financial measures; please see appendix for reconciliation of non-GAAP to GAAP.

Q&A

Upcoming Investor Conferences

Jefferies TMT, May 7, Miami
Cowen TMT, May 28, NYC
IDEAS Conference, June 5, Boston

For further information contact Patti Leahy, Vice President, IR
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Non-GAAP to GAAP Reconciliation

Actuals - Three months ended March 28, 2014 and March 29, 2013	Three months ended March 28, 2014	Three months ended March 29, 2013
GAAP total gross margin	65.6%	59.7%
Stock-based compensation expense	0.5%	0.4%
Amortization of intangible assets	0.9%	0.9%
Fair value write-up of acquired inventory	0.9%	0.0%
Non-GAAP total gross margin	67.9%	61.0%
GAAP loss from operations (in thousands)	$ (5,791)	$ (13,472)
Fair value write-up of acquired inventory	615	-
Stock-based compensation expense	5,774	4,224
Amortization of intangible assets	1,029	1,187
Acquisition-related expense	1,306	-
Restructuring	1,169	1,949
Non-GAAP income (loss) from operations	$ 4,102	$ (6,112)
GAAP loss from operations as a percentage of revenue	-8.2%	-21.3%
Fair value write-up of acquired inventory	0.9%	0.0%
Stock-based compensation expense	8.2%	6.7%
Amortization of intangible assets	1.5%	1.9%
Acquisition-related expense	1.8%	0.0%
Restructuring	1.7%	3.1%
Non-GAAP income (loss) from operations as a percentage of revenue	5.8%	-9.7%
GAAP net loss (in thousands)	$ (3,953)	$ (13,748)
Fair value write-up of acquired inventory	615	-
Stock-based compensation expense	5,774	4,224
Amortization of intangible assets	1,029	1,187
Acquisition-related expense	1,306	-
Restructuring	1,169	1,949
Litigation settlement - prepaid licenses	(2,250)	-
Non-GAAP net income (loss)	$ 3,690	$ (6,388)
Diluted earnings per share or (loss) per share		
GAAP	$ (0.01)	$ (0.05)
Non-GAAP	$ 0.01	$ (0.02)
Shares used to compute diluted earnings per share or (loss) per share		
GAAP shares used to compute diluted earnings per share or (loss) per share	265,400	281,542
Non-GAAP shares used to compute diluted earnings per share or (loss) per share	269,031	281,542

Non-GAAP to GAAP Reconciliation (continued)

Actuals - Years ended December 31, 2013 and 2012	Year ended December 31, 2013	Year ended December 31, 2012
GAAP gross margin	62.3%	56.1%
Stock-based compensation expense	0.4%	0.4%
Amortization of intangible assets	0.9%	0.7%
Depreciation expense - fair value write-up of property and equipment	0.0%	2.7%
Write-off of prepaid royalties for software licenses	0.0%	0.1%
Non-GAAP income (loss) from operations as a percentage of revenue	63.6%	60.0%
GAAP loss from operations (in thousands)	$ (21,075)	$ (48,542)
Stock-based compensation expense	17,873	9,003
Amortization of intangible assets	4,546	2,773
Impairment of intangible assets	600	-
Write-off of prepaid royalties for software licenses	-	7,083
Depreciation expense - fair value write-up of acquired property and equipment	-	766
Acquisition-related	93	5,496
Restructuring	5,411	7,675
Non-GAAP income (loss) from operations	$ 7,448	$ (15,746)
GAAP loss from operations as a percentage of revenue	-7.6%	-19.1%
Stock-based compensation expense	6.5%	3.5%
Amortization of intangible assets	1.6%	1.1%
Impairment of intangible assets	0.2%	0.0%
Write-off of prepaid royalties for software licenses	0.0%	2.8%
Depreciation expense - fair value write-up of acquired property and equipment	0.0%	0.3%
Acquisition-related	*	2.2%
Restructuring	2.0%	3.0%
Non-GAAP income (loss) from operations as a percentage of revenue	2.7%	-6.2%
GAAP net loss (in thousands)	$ (22,119)	$ (50,169)
Stock-based comensation expense	17,873	9,003
Amortization of intangible assets	4,546	2,773
Impairment of intangible assets	600	-
Write-off of prepaid royalties for software licenses	-	7,083
Depreciation expense - fair value write-up of acquired property and equipment	-	766
Acquisition-related expense	93	5,496
Restructuring	5,411	7,675
Non-GAAP net income (loss)	$ 6,404	$ (17,373)
Diluted earnings per share or (loss) per share		
GAAP	$ (0.08)	$ (0.18)
Non-GAAP	$ 0.02	$ (0.06)
Shares used to compute diluted earnings per share or (loss) per share		
GAAP shares used to compute loss per share	278,428	280,090
Non-GAAP shares used to compute diluted earnings per share or (loss) per share	280,857	280,090

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

Non-GAAP to GAAP Reconciliation (continued)

Guidance - Three months ended March 28, 2014 and year ended December 31, 2014 **As published February 20, 2014**	Three months ended March 28, 2014		Year ended December 31, 2014	
Gross margin				
GAAP outlook	61.9%			
Stock-based compensation	0.4%	(A)		
Amortization of intangible assets	0.7%	(A)		
Non-GAAP outlook	63.0%			
Operating expenses (in millions)				
GAAP outlook	$ 54.2			
Stock-based compensation	(5.4)	(A)		
Amortization of intangible assets	(0.3)	(A)		
Acquisition-related	(1.6)			
Restructuring	(0.9)			
Non-GAAP outlook	$ 46.0			
Earnings (loss) per share				
GAAP outlook	$ (0.04)		$ (0.04)	
Stock-based compensation expense	0.02	(A)	0.08	(A)
Amortization of intangible assets	*	(A)	0.01	(A)
Acquisition-related	0.01		*	
Restructuring	*		*	
Non-GAAP outlook	$ (0.01)		$ 0.05	

* Less than $0.01 impact on earnings per share.

(A) Excludes the impact of stock-based compensation and amortization of intangible assets arising from the acquisition of PT.

Non-GAAP to GAAP Reconciliation (continued)

Guidance - Three months ended June 27, 2014 and year ended December 31, 2014
As published April 24, 2014

	Three months ended June 27, 2014	
	Range	
Gross margin		
GAAP outlook	61.9%	62.5%
Stock-based compensation	0.5%	0.5%
Amortization of intangible assets	1.0%	0.9%
Fair value write-up of acquired inventory	1.6%	1.6%
Non-GAAP outlook	65.0%	65.5%
Operating expenses (in millions)		
GAAP outlook	$ 52.1	$ 53.1
Stock-based compensation	(5.6)	(5.6)
Amortization of intangible assets	(0.5)	(0.5)
Restructuring	(1.0)	(1.0)
Non-GAAP outlook	$ 45.0	$ 46.0
Earnings (loss) per share		
GAAP outlook	$ (0.01)	$ (0.01)
Stock-based compensation expense	0.02	0.02
Amortization of intangible assets	*	*
Fair value write-up of acquired inventory	*	*
Restructuring	*	*
Non-GAAP outlook	$ 0.01	$ 0.01

	Year ended December 31, 2014		
	Sonus	PT	Combined
Earnings (loss) per share			
GAAP outlook	$ (0.07)	$ (0.01)	$ (0.08)
Fair value write-up of inventory	0.01	*	0.01
Stock-based compensation expense	0.09	*	0.09
Amortization of intangible assets	0.02	*	0.02
Acquisition-related	0.01	*	0.01
Restructuring	0.01	*	0.01
Litigation settlement - prepaid licenses	(0.01)	*	(0.01)
Non-GAAP outlook	$ 0.06	$ (0.01)	$ 0.05

* Less than $0.01 impact on earnings per share.

Sonus

Discussion of Non-GAAP Financial Measures

- Sonus management uses a number of 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 costs, including, but not limited to: cost of product revenue related to the fair value write-up of acquired inventory, stock-based compensation, amortization of intangible assets, acquisition-related costs, restructuring and other income arising from the settlement of litigation related to prepaid royalties for software licenses. We also consider the use of non-GAAP earnings per share helpful in assessing the performance of the continuing operations of our business. While our management uses these 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 PT acquisition, we were required to increase the aggregate fair value of acquired inventory by $1.8 million. The acquired inventory is being 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 facilitates the comparison of our operating results to our historical results and to other companies in our industry.

Discussion of Non-GAAP Financial Measures (cont'd)

- 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 ability of readers of our financial statements to compare our financial results 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.
- 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. We believe that excluding restructuring expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.
- In the first quarter of 2014, we recorded $2.25 million of 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 which we had written off in fiscal 2012. We believe that excluding the other income arising from this settlement facilitates the comparison of our results to our historical results and 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.