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

	Notes	Three months ended December 31, 2007	Three months ended September 30, 2007	Three months ended December 31, 2006	Year ended December 31, 2007	Year ended December 31, 2006
Revenue						
Product		$ 67,289	$ 55,143	$ 56,712	$ 226,230	$ 203,592
Service		29,811	21,428	22,287	94,080	75,891
Total revenue		$ 97,100	$ 76,571	$ 78,999	$ 320,310	$ 279,483
Gross profit						
Product		$ 37,675	$ 33,256	$ 36,583	$ 134,086	$ 132,769
Service		19,808	12,149	13,965	56,656	46,282
Total gross profit		$ 57,483	$ 45,405	$ 50,548	$ 190,742	$ 179,051
GAAP Gross margin - product		56.0%	60.3%	64.5%	59.3%	65.2%
Stock-based compensation expense	A	0.4%	0.5%	0.1%	0.3%	0.1%
Amortization of purchased intangible assets	C	0.1%	0.1%	0.0%	0.1%	0.0%
Withholding tax adjustments	D	0.0%	0.0%	0.0%	0.0%	0.0%
409A excise tax adjustment	E	0.0%	0.1%	0.0%	0.0%	0.0%
Non-GAAP Gross margin - product		56.5%	61.0%	64.6%	59.7%	65.3%
GAAP Gross margin - service		66.4%	56.7%	62.7%	60.2%	61.0%
Stock-based compensation expense	A	2.5%	5.9%	0.9%	3.8%	1.2%
Withholding tax adjustments	D	0.0%	0.0%	0.1%	0.0%	0.1%
409A excise tax adjustment	E	0.0%	0.0%	0.1%	0.0%	0.0%
Non-GAAP Gross margin - service		68.9%	62.6%	63.8%	64.0%	62.3%
GAAP Total gross profit		$ 57,483	$ 45,405	$ 50,548	$ 190,742	$ 179,051
Stock-based compensation expense	A	970	1,571	222	4,424	1,006
Amortization of purchased intangible assets	C	67	67	-	199	-
Withholding tax adjustments	D	-	-	22	-	44
409A excise tax adjustments	E	1	29	39	30	39
Non-GAAP Total gross profit		$ 58,521	$ 47,072	$ 50,831	$ 195,395	$ 180,140
GAAP Total gross margin		59.2%	59.3%	64.0%	59.5%	64.1%
Stock-based compensation expense % of revenue	A	1.0%	2.1%	0.3%	1.4%	0.4%
Amortization of purchased intangible assets % of revenue	C	0.1%	0.1%	0.0%	0.1%	0.0%
Withholding tax adjustments % of revenue	D	0.0%	0.0%	0.0%	0.0%	0.0%
409A excise tax adjustments % of revenue	E	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP Total gross margin		60.3%	61.5%	64.3%	61.0%	64.5%
GAAP Research and development expense		$ 17,042	$ 21,039	$ 16,305	$ 79,129	$ 55,446
Stock-based compensation expense	A	(2,186)	(4,099)	(1,759)	(15,976)	(3,809)
Withholding tax adjustments	D	-	-	(35)	-	(88)
409A excise tax adjustments	E	(48)	(242)	(487)	(290)	(487)
Non-GAAP Research and development expense		$ 14,808	$ 16,698	$ 14,024	$ 62,863	$ 51,062
GAAP Sales and marketing expense		$ 18,107	$ 19,493	$ 19,118	$ 81,869	$ 65,748
Stock-based compensation expense	A	(1,408)	(3,509)	(1,543)	(14,138)	(3,990)
Amortization of purchased intangible assets	C	(77)	(76)	-	(229)	-
Withholding tax adjustments	D	-	-	(30)	-	(69)
409A excise tax adjustments	E	(10)	(92)	(217)	(102)	(217)
Non-GAAP Sales and marketing expense		$ 16,612	$ 15,816	$ 17,328	$ 67,400	$ 61,472
GAAP General and administrative expense		$ 14,397	$ 14,180	$ 12,925	$ 56,841	$ 35,366
Stock-based compensation expense	A	(2,269)	(2,450)	(958)	(7,410)	(3,156)
Stock option investigation costs	B	(817)	(1,078)	(3,954)	(9,918)	(6,154)
Withholding tax adjustments	D	-	-	(123)	-	(398)
409A excise tax adjustments	E	(3)	(12)	(149)	(15)	(149)
Non-GAAP General and administrative expense		$ 11,308	$ 10,640	$ 7,741	$ 39,498	$ 25,509
GAAP Litigation settlement, net of insurance recovery		$ (15,328)	$ 40,000	$ -	$ 24,672	$ -
Litigation settlement, net of insurance recovery	F	15,328	(40,000)	-	(24,672)	-
Non-GAAP Litigation settlement, net of insurance recovery		$ -	$ -	$ -	$ -	$ -
GAAP Operating expenses		$ 34,218	$ 94,712	$ 48,348	$ 242,511	$ 156,560
Stock-based compensation expense	A	(5,863)	(10,058)	(4,260)	(37,524)	(10,955)
Stock option investigation costs	B	(817)	(1,078)	(3,954)	(9,918)	(6,154)
Amortization of purchased intangible assets	C	(77)	(76)	-	(229)	-
Withholding tax adjustments	D	-	-	(188)	-	(555)
409A excise tax adjustments	E	(61)	(346)	(853)	(407)	(853)
Settlement of litigation, net of insurance recovery	F	15,328	(40,000)	-	(24,672)	-
Non-GAAP Operating expenses		$ 42,728	$ 43,154	$ 39,093	$ 169,761	$ 138,043
GAAP Income (loss) from operations		$ 23,265	$ (49,307)	$ 2,200	$ (51,769)	$ 22,491
Stock-based compensation expense	A	6,833	11,629	4,482	41,948	11,961
Stock option investigation costs	B	817	1,078	3,954	9,918	6,154
Amortization of purchased intangible assets	C	144	143	-	428	-
Withholding tax adjustments	D	-	-	210	-	599
409A excise tax adjustments	E	62	375	892	437	892
Settlement of litigation, net of insurance recovery	F	(15,328)	40,000	-	24,672	-
Non-GAAP Income from operations		$ 15,793	$ 3,918	$ 11,738	$ 25,634	$ 42,097
GAAP Net income (loss)		$ 14,089	$ (26,772)	$ 73,754	$ (23,637)	$ 102,854
Stock-based compensation expense	A	6,833	11,629	4,482	41,948	11,961
Stock option investigation costs	B	817	1,078	3,954	9,918	6,154
Amortization of purchased intangible assets	C	144	143	-	428	-
Withholding tax adjustments	D	-	-	210	-	599
409A excise tax adjustments	E	62	375	892	437	892
Settlement of litigation, net of insurance recovery	F	(15,328)	40,000	-	24,672	-
Stock-based compensation-related expense	G	20	(2,024)	39	(1,068)	39
Income tax effect of non-GAAP adjustments - benefit (provision)	H	5,388	(19,159)	(181)	(25,590)	(296)
Deferred tax asset valuation allowance reversal	I	-	-	(73,637)	-	(73,637)
Income tax contingency reserve	J	-	-	5,599	-	5,599
Non-GAAP Net income		$ 12,025	$ 5,270	$ 15,112	$ 27,108	$ 54,165
Net income (loss) per share - diluted						
GAAP		$ 0.05	$ (0.10)	$ 0.28	$ (0.09)	$ 0.40
Non-GAAP		$ 0.04	$ 0.02	$ 0.06	$ 0.10	$ 0.21
Shares used in computing net income (loss) per share						
Diluted shares for calculating net loss per share		279,798	262,913	265,357	262,924	258,338
Diluted shares for calculating net income per share		279,798	275,351	265,357	276,458	258,338