Sonus Networks, Inc.
Discussion of Non-GAAP Financial Measures
Quarter ended June 30, 2008

The attached tables include non-GAAP financial measures derived from our Condensed Consolidated Statements of Operations. These non-GAAP financial measures of Gross margin – product, Gross margin – service, Gross profit, Gross margin, Research and development expense, Sales and marketing expense, General and administrative expense, Impairment of intangible assets and goodwill, Operating expenses, Income from operations, Net income, Net income per share (diluted) and Gross profit to R&D spend ratio are not presented in accordance with, nor are they intended to be a substitute for, accounting principles generally accepted in the United States of America ("GAAP"). In addition, our presentations of these measures may not be comparable to similarly titled measures used by other companies. The non-GAAP financial measures described below, and used in the attached tables, 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. We define continuing operations as the ongoing revenue and expenses of the business, excluding certain items. These items are Stock-based compensation expense, Stock option review costs, Amortization of intangible assets, Impairment of intangible assets and goodwill, 409A excise tax adjustments, Change in estimate – reduction of contingency for employment tax audit settlement, Stock-based compensation-related expense and the Income tax effect of non-GAAP adjustments.

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.

Note A – Stock-Based Compensation Expense

On January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* ("SFAS 123R") to account for employee and non-employee director stock-based awards. Prior to January 1, 2006, we accounted for these awards using the intrinsic value method under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). Under both SFAS 123R and APB 25, the requisite service period over which stock-based compensation is expensed generally equals the vesting period of the awards.

Stock-based compensation is different from other forms of compensation, as it is a non-cash expense. A cash salary or bonus has a fixed and unvarying cash cost. In contrast, the expense associated with the award of an option 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.

Our registration statements on Form S-8 were unavailable for use during a portion of fiscal 2006 and 2007. As a result, we extended the contractual terms of vested stock options and made multiple modifications to our Employee Stock Purchase Plan ("ESPP") in order to delay the issuance of shares until after we became current in our SEC reporting obligations, incurring significant nonrecurring expense related to these modifications. On September 10, 2007, we completed a tender offer to amend stock options issued in previous years for which it was subsequently determined that the exercise price was less than the fair value on the revised date of grant, in order to mitigate the unfavorable personal tax consequences under Section 409A. The impact of the amendment of such options resulted in a stock option modification charge under SFAS 123R. We believe that excluding both recurring stock-based non-cash compensation expense and nonrecurring non-cash charges related to modifications to our stock options and ESPP from our operating results enables the readers of our financial statements to more accurately compare our operating results to our historical results and to other companies in our industry.

Note B – Stock Option Review Costs

On May 25, 2006, in response to the recent focus on public company employee stock option granting practices and accounting, we voluntarily commenced, in conjunction with the Audit Committee of the Board of Directors, a review of our historical stock option granting practices and accounting. This review utilized substantial external resources. We excluded these costs as they were nonrecurring in nature. We believe the exclusion of these nonrecurring costs provides users of our financial statements a better understanding of our continuing operations trends.

Note C – Amortization of Intangible Assets

On April 18, 2008, we completed our acquisition of Atreus Systems, Inc. and its subsidiaries, a supplier of service provisioning software for Voice over IP and IP Multimedia subsystem-based services. In connection with this acquisition we recorded intangible assets consisting of Customer Relationships, Developed technology and Order backlog, with estimated useful lives ranging from one to four years.

On April 13, 2007, we completed our acquisition of Zynetix Limited ("Zynetix"), a privately-held designer of innovative Global System for Mobile Communications infrastructure solutions located in the United Kingdom. In connection with this acquisition we recorded intangible assets consisting of Customer relationships, Intellectual property and a Trade name, with estimated useful lives ranging from three to seven years.

We record non-cash amortization expense for these intangible assets in our GAAP financial statements. We believe that excluding the amortization of intangible assets facilitates the comparison of our financial results to our historical operating results and to other companies in our industry and provides meaningful information regarding our liquidity.

In the second quarter of fiscal 2008, we recorded impairment charges related to the intangible assets arising from the Zynetix acquisition. These impairment charges are reported separately in our condensed consolidated statements of operations for the three and six months ended June 30, 2008 (see Note D).

Note D – Impairment of Intangible Assets and Goodwill

In connection with the preparation of our financial statements for the second quarter of fiscal 2008 and the update of our sales forecast for the second half of the fiscal year, we conducted a review for impairment indicators, during which we determined that there were impairment indicators related to the intangible assets and goodwill allocated to the Zynetix reporting unit, including significant underperformance relative to plan or long-term projections. We performed an assessment of the carrying value of our intangible assets and goodwill and recognized an impairment loss for the amount by which the carrying value of the intangible assets and goodwill allocated to the Zynetix reporting unit exceeded the related fair value. As a result, we recorded a charge to operations of $3.6 million for the write-down of intangible assets and goodwill. Of this amount, $1.5 million relates to intangible assets and $2.1 million relates to goodwill.

We believe that excluding the charge for the impairment of intangible assets and goodwill facilitates the comparison of our financial results to our historical operating results and to other companies in our industry and provides meaningful information regarding our liquidity.

Note E – 409A Excise Tax Adjustments

On September 10, 2007, we completed a tender offer to amend stock options issued in previous years for which it was subsequently determined that the exercise price was less than the fair value on the revised date of grant, in order to mitigate the unfavorable personal tax consequences under Section 409A. Individuals with options subject to Section 409A who had terminated their employment with the Company were not eligible for the tender offer. We agreed to reimburse these former employees for the 409A tax on these options as well as the income tax liability for the 409A tax reimbursement. We believe that excluding this nonrecurring expense from our operating results enables the readers of our financial statements to more accurately compare our operating results to our historical results and to other companies in our industry.

Note F – Change in Estimate – Reduction of Contingency for Employment Tax Audit

The Internal Revenue Service ("IRS") notified us that our payroll tax returns for the years ended December 31, 2004, 2005 and 2006 had been selected for audit in connection with our stock option review. In connection with the restatement of our financial statements, we had recorded $1.6 million of accrued liabilities for additional federal and state payroll tax, penalties and interest related to adjustments resulting from errors in stock option accounting. In April 2008, we reached an agreement with the IRS and paid $0.5 million to settle this audit. As a result of this settlement, we recorded a reduction of $0.9 million to the previously recorded loss contingency. Of this amount, $0.5 million is included as a reduction to operating expenses and $0.4 million is recorded as Other income in our condensed consolidated statement of operations for the six months ended June 30., 2008. We believe that the exclusion of the expense related to this change in estimate allows for a more accurate comparison of our financial results to our historical results and to other companies in our industry, as it is unusual both in magnitude and occurrence.

Note G – Stock-Based Compensation-Related Expense

Modifications to stock awards for certain former employees, primarily a result of the unavailability of our registration statements on Form S-8 during a portion of fiscal 2006 and 2007, were recorded as liabilities in accordance with Emerging Issues Task Force Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*. These liability awards were accounted for as derivative financial instruments, and accordingly, were marked to market at each interim reporting date. Changes in the fair value of these derivatives are non-cash items and were recorded as Other income or expense. At the time of settlement of these liabilities (either through exercise or expiration of the options) the fair value of the respective award was reclassified to equity.

We believe that the exclusion of Stock-based compensation-related expense allows for a more accurate comparison of our operating results to our historical results and to other companies in our industry, as these charges are unusual both in magnitude and occurrence.

Note H – Income Tax Effect of Non-GAAP Adjustments

We have calculated and adjusted our GAAP income tax benefit (provision) for the income tax effect of non-GAAP adjustments. For all periods presented we have calculated the income tax effect of Stock option investigation costs, Withholding tax adjustments and Amortization of intangible assets. In addition, we have calculated the income tax

effect of Stock-based compensation expense and Stock-based compensation-related expense. We believe financial information excluding the income tax effect of non-GAAP adjustments provides readers of our financial statements a better understanding of our continuing operations trends.

Note I – Gross Profit to R&D Spend Ratio – Trailing 12 Months

We are committed to supporting our customer-based R&D projects on a go-forward basis. However, we need to ensure that our R&D investments will generate acceptable return on investment in support of our objective of continuous improvement in our R&D efforts. Our Gross profit to R&D spend ratio is calculated by dividing non-GAAP gross profit by non-GAAP research and development expense. Due to the quarterly unevenness of our business, our gross profit to R&D spend ratio is most meaningful on a trailing 12-month, or four quarters, basis. We believe that this is an important metric when used internally to ensure that our R&D investments deliver appropriate returns.