

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

November 3, 2004

Date of Report (Date of earliest event reported)

SONUS NETWORKS, INC.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE

000-30229

04-3387074

(State or Other Jurisdiction
of Incorporation)

(Commission File Number)

(IRS Employer
Identification No.)

250 APOLLO DRIVE, CHELMSFORD, MASSACHUSETTS 01824
(Address of Principal Executive Offices) (Zip Code)

(978) 614-8100

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

The information in this Current Report on Form 8-K and the exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On November 3, 2004, Sonus Networks, Inc. issued a press release reporting its financial results for the quarter ended September 30, 2004. A copy of the press release is attached as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

The following exhibit relating to Item 2.02 shall be deemed to be furnished, and not filed:

99.1 Press release of Sonus Networks, Inc. dated November 3, 2004 reporting financial results for the quarter ended

September 30, 2004.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 3, 2004

SONUS NETWORKS, INC.

By: /s/ Albert A. Notini

Albert A. Notini
President and Chief Operating Officer

Exhibit Index

- 99.1 Press release of Sonus Networks, Inc. dated November 3, 2004 reporting financial results for the quarter ended September 30, 2004.

Sonus Networks Reports 2004 Third Quarter Financial Results; Revenues Increased to \$46.8 Million, EPS of \$0.04

CHELMSFORD, Mass.--(BUSINESS WIRE)--Nov. 3, 2004--Sonus Networks (Nasdaq: SONS), a leading supplier of service provider voice over IP (VoIP) infrastructure solutions, today reported its financial results for the third quarter ended September 30, 2004.

Revenues for the third quarter of fiscal 2004 were \$46.8 million compared with \$22.3 million for the third quarter of fiscal 2003 and \$42.4 million for the second quarter of fiscal 2004. Net income for the third quarter of fiscal 2004 was \$10.3 million or \$0.04 per share compared with a net loss of \$5.0 million or \$0.02 per share for the third quarter of fiscal 2003 and net income of \$4.9 million or \$0.02 for the second quarter of fiscal 2004.

"During the third quarter Sonus continued its success as a leader in the rapidly expanding VoIP market," said Hassan Ahmed, chairman and chief executive officer, Sonus Networks. "Revenue and earnings grew sequentially and we continued to build our technology and market momentum. We released new software for the trunking and access markets, expanded our customer deployments and added new talent to our company, all of which have enhanced our global market position."

Revenues for the first nine months of fiscal 2004 were \$125.7 million compared with \$46.8 million in the same period last year. Net income for the first nine months of fiscal 2004 was \$18.2 million or \$0.07 per share compared with a net loss for the first nine months of fiscal 2003 of \$22.0 million or \$0.10 per share.

Building its position with service providers and carriers around the world, Sonus continues to add new customers and expand relationships with existing customers. For example, Interoute, one of Europe's most advanced telecommunications networks, is deploying additional Sonus equipment to meet growing demand for its successful Virtual Voice Network. Further underscoring Sonus' success with its customers, in August the company was named the market share leader in several segments of the carrier VoIP equipment market by industry research firms In-Stat/MDR and Synergy Research Group.

Sonus also continued focusing its development efforts on extending its solutions in the trunking, access, wireless and international markets. During the third quarter, Sonus introduced the latest version of its industry-leading Open Services Architecture(TM) (OSA), which offers new capabilities that help carriers reduce dependency on legacy circuit switch technologies and accelerate the transition to VoIP. In addition, Sonus delivered product enhancements in key areas such as Class 5 services, voice over broadband, network border switching, and operations and network management.

About Sonus Networks

Sonus Networks, Inc. is a leading provider of voice over IP (VoIP) infrastructure solutions for wireline and wireless service providers. With its Open Services Architecture(TM) (OSA), Sonus delivers end-to-end solutions addressing a full range of carrier applications, including trunking and tandem switching, residential and business access, network border switching and enhanced services. Sonus' voice infrastructure solutions, including media gateways, softswitches and network management systems, are deployed in service provider networks worldwide. Sonus, founded in 1997, is headquartered in Chelmsford, Massachusetts. Additional information on Sonus is available at <http://www.sonusnet.com>.

This release may contain forward-looking statements regarding future events that involve risks and uncertainties. Readers are cautioned that these forward-looking statements are only predictions and may differ materially from actual future events or results. Readers are referred to the "Risk Factors" section of Sonus' 2003 Annual Report on Form 10-K, as amended by Amendment No. 1 on Form 10-K/A dated July 28, 2004 and filed with the SEC, and the "Cautionary Statements" section of Sonus' Quarterly Report on Form 10-Q, dated August 20, 2004 and filed with the SEC, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements. Risk factors include, among others, risks associated with the company's assessment of internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act and the risks associated with the pending securities litigation and SEC investigation. In addition, any forward-looking statements represent Sonus' views only as of today and should not be relied upon as representing Sonus' views as of any subsequent date. While Sonus may elect to update forward-looking statements at some point, Sonus specifically disclaims any obligation to do so.

Sonus is a registered trademark of Sonus Networks. Open Services Architecture, GSX9000, Insignus and Sonus Insight are trademarks of Sonus Networks. All other trademarks, service marks, registered trademarks, or registered service marks are the property of their respective owners.

SONUS NETWORKS, INC.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)

	Three Months Ended September 30, 2004	Three Months Ended June 30, 2004	Three Months Ended September 30, 2003
Revenues	\$46,762	\$42,361	\$22,251
Cost of revenues	10,469	13,941	9,256
Gross profit	36,293	28,420	12,995
Gross profit %	77.6%	67.1%	58.4%
Operating expenses:			
Research and development	8,975	8,923	8,036
Sales and marketing	10,539	8,635	7,732
General and administrative	6,638	5,745	842
Stock-based compensation	91	136	1,047
Amort. of goodwill and purchased intangible assets	601	600	602
Total operating expenses	26,844	24,039	18,259
Income (loss) from operations	9,449	4,381	(5,264)
Interest expense	(117)	(121)	(128)
Interest income	1,150	891	396
Income (loss) before provision for income taxes	10,482	5,151	(4,996)
Provision for income taxes	214	217	33
Net income (loss)	\$10,268	\$4,934	\$(5,029)
Net income (loss) per share:			
Basic	\$0.04	\$0.02	\$(0.02)
Diluted	\$0.04	\$0.02	\$(0.02)
Shares used in computation:			
Basic	246,198	245,390	224,356
Diluted	251,728	250,127	224,356

SONUS NETWORKS, INC.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Revenues	\$125,655	\$46,826
Cost of revenues	36,810	20,614
Gross profit	88,845	26,212

Gross profit %	70.7%	56.0%
Operating expenses:		
Research and development	26,826	24,245
Sales and marketing	26,034	16,179
General and administrative	17,210	4,137
Stock-based compensation	606	2,616
Amort. of goodwill and purchased intangible assets	1,801	1,806
Total operating expenses	72,477	48,983
Income (loss) from operations	16,368	(22,771)
Interest expense	(360)	(406)
Interest income	2,806	1,238
Income (loss) before provision for income taxes	18,814	(21,939)
Provision for income taxes	598	98
Net income (loss)	\$18,216	\$(22,037)
Net income (loss) per share:		
Basic	\$0.07	\$(0.10)
Diluted	\$0.07	\$(0.10)
Shares used in computation:		
Basic	245,394	213,322
Diluted	252,798	213,322

SONUS NETWORKS, INC.
Condensed Consolidated Balance Sheets
(In thousands)

	September 30, 2004	December 31, 2003
Assets		
Current assets:		
Cash, cash equivalents and marketable securities	\$283,460	\$305,392
Accounts receivable, net	35,402	23,754
Inventory, net	27,566	13,739
Other current assets	12,861	6,935
Total current assets	359,289	349,820
Property and equipment, net	7,138	5,009
Purchased intangible assets, net	601	2,402
Long-term marketable securities	16,441	-
Other assets	763	1,193
	\$384,232	\$358,424
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$29,255	\$25,413
Accrued restructuring expenses	184	565
Current portion of deferred revenue	60,269	62,698
Current portion of long-term liabilities	61	182
Total current liabilities	89,769	88,858
Long-term deferred revenue, less current portion	27,720	24,302
Long-term liabilities, less current portion	661	829
Convertible subordinated note	10,000	10,000
Stockholders' equity:		
Common stock	249	247
Capital in excess of par value	1,046,494	1,043,581
Accumulated deficit	(790,346)	(808,562)
Deferred compensation	(48)	(564)
Treasury stock	(267)	(267)

Total stockholders' equity	256,082	234,435
	<u>\$384,232</u>	<u>\$358,424</u>

SONUS NETWORKS, INC.
Condensed Consolidated Statements of Cash Flows
(In thousands)

	Three Months Ended September 30, 2004	Three Months Ended June 30, 2004	Three Months Ended September 30, 2003
Cash flows from operating activities:			
Net income (loss)	\$10,268	\$4,934	\$(5,029)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation	1,276	1,271	2,194
Stock-based compensation	91	136	1,047
Amortization of purchased intangible assets	601	600	602
Changes in current assets and liabilities			
Accounts receivable	(3,492)	152	2,668
Inventory	(7,365)	(4,909)	(1,016)
Other current assets	1,698	(6,169)	(335)
Accounts payable	2,473	2,975	(1,018)
Accrued expenses	(3,950)	591	1,775
Deferred revenue	(5,017)	(1,754)	9,999
Net cash (used in) provided by operating activities	<u>(3,417)</u>	<u>(2,173)</u>	<u>10,887</u>
Cash flows from investing activities:			
Purchase of property and equipment	(2,015)	(2,063)	(1,387)
Purchases of marketable securities, net	(5,649)	(21,640)	-
Other assets	102	192	1
Net cash used in investing activities	<u>(7,562)</u>	<u>(23,511)</u>	<u>(1,386)</u>
Cash flows from financing activities:			
Net proceeds from sale of common stock to public	-	-	126,025
Sales of common stock in connection with employee stock purchase plan	925	-	519
Proceeds from exercise of stock options	704	-	2,659
Payments of long-term liabilities	(40)	(52)	(417)
Repurchase of common stock	-	-	(1)
Net cash provided by (used in) financing activities	<u>1,589</u>	<u>(52)</u>	<u>128,785</u>
Net (decrease) increase in cash and cash equivalents	<u>(9,390)</u>	<u>(25,736)</u>	<u>138,286</u>
Cash and cash equivalents, beginning of period	<u>126,235</u>	<u>151,971</u>	<u>116,773</u>
Cash and cash equivalents, end of period	<u>\$116,845</u>	<u>\$126,235</u>	<u>\$255,059</u>

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