

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

	Notes	Three months ended			Nine months ended	
		September 30, 2008	June 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Revenue						
Product		\$ 36,710	\$ 62,329	\$ 54,485	\$ 149,745	\$ 158,283
Service		25,474	25,461	21,285	73,856	64,037
Total revenue		<u>\$ 62,184</u>	<u>\$ 87,790</u>	<u>\$ 75,770</u>	<u>\$ 223,601</u>	<u>\$ 222,320</u>
Gross profit						
Product		\$ 25,110	\$ 44,010	\$ 33,359	\$ 103,182	\$ 96,622
Service		14,078	14,210	12,006	40,175	36,616
Total gross profit		<u>\$ 39,188</u>	<u>\$ 58,220</u>	<u>\$ 45,365</u>	<u>\$ 143,357</u>	<u>\$ 133,238</u>
GAAP Gross margin - product		68.4%	70.6%	61.2%	68.9%	61.0%
Stock-based compensation expense	A	0.4%	0.3%	0.5%	0.3%	0.4%
Amortization of intangible assets	B	0.7%	0.4%	0.1%	0.4%	0.1%
Change in estimate - reduction of contingency for employment tax audit	C	0.0%	0.0%	0.0%	0.0%	0.0%
409A excise tax adjustment	D	0.0%	0.0%	0.1%	0.0%	0.0%
Non-GAAP Gross margin - product		<u>69.5%</u>	<u>71.3%</u>	<u>61.9%</u>	<u>69.6%</u>	<u>61.5%</u>
GAAP Gross margin - service		55.3%	55.8%	56.4%	54.4%	57.2%
Stock-based compensation expense	A	1.6%	1.8%	5.9%	2.7%	4.5%
Non-GAAP Gross margin - service		<u>56.9%</u>	<u>57.6%</u>	<u>62.3%</u>	<u>57.1%</u>	<u>61.7%</u>
GAAP Total gross profit		\$ 39,188	\$ 58,220	\$ 45,365	\$ 143,357	\$ 133,238
Stock-based compensation expense	A	578	619	1,571	2,531	3,454
Amortization of intangible assets	B	263	261	49	573	98
Change in estimate - reduction of contingency for employment tax audit	C	-	-	-	(7)	-
409A excise tax adjustment	D	-	-	29	-	29
Non-GAAP Total gross profit		<u>\$ 40,029</u>	<u>\$ 59,100</u>	<u>\$ 47,014</u>	<u>\$ 146,454</u>	<u>\$ 136,819</u>
GAAP Total gross margin		63.0%	66.3%	59.9%	64.1%	59.9%
Stock-based compensation expense % of revenue	A	1.0%	0.7%	2.0%	1.1%	1.6%
Amortization of intangible assets % of revenue	B	0.4%	0.3%	0.1%	0.3%	0.0%
Change in estimate - reduction of contingency for employment tax audit % of revenue	C	0.0%	0.0%	0.0%	0.0%	0.0%
409A excise tax adjustment	D	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP Total gross margin		<u>64.4%</u>	<u>67.3%</u>	<u>62.0%</u>	<u>65.5%</u>	<u>61.5%</u>
GAAP Research and development expense		\$ 17,885	\$ 18,231	\$ 21,008	\$ 56,443	\$ 61,826
Stock-based compensation expense	A	(1,018)	(1,369)	(4,064)	(6,050)	(13,743)
Change in estimate - reduction of contingency for employment tax audit	C	-	-	-	51	-
409A excise tax adjustment	D	-	-	(242)	-	(242)
Non-GAAP Research and development expense		<u>\$ 16,867</u>	<u>\$ 16,862</u>	<u>\$ 16,702</u>	<u>\$ 50,444</u>	<u>\$ 47,841</u>
GAAP Sales and marketing expense		\$ 17,169	\$ 19,088	\$ 19,330	\$ 54,762	\$ 63,444
Stock-based compensation expense	A	(636)	(1,006)	(3,476)	(3,518)	(12,688)
Amortization of intangible assets	B	(55)	(62)	-	(117)	-
Change in estimate - reduction of contingency for employment tax audit	C	-	-	-	96	-
409A excise tax adjustment	D	-	-	(92)	-	(92)
Non-GAAP Sales and marketing expense		<u>\$ 16,478</u>	<u>\$ 18,020</u>	<u>\$ 15,762</u>	<u>\$ 51,223</u>	<u>\$ 50,664</u>
GAAP General and administrative expense		\$ 21,507	\$ 12,983	\$ 14,118	\$ 44,430	\$ 42,316
Stock-based compensation expense	A	(2,223)	(1,934)	(2,450)	(5,449)	(5,141)
Amortization of intangible assets	B	-	-	-	-	-
Change in estimate - reduction of contingency for employment tax audit	C	-	-	-	387	-
409A excise tax adjustments	D	-	-	(12)	-	(12)
Earnout settlement - Zynetix acquisition	E	(1,685)	-	-	(1,685)	-
Stock option review costs	F	-	-	(1,078)	-	(9,101)
Non-GAAP General and administrative expense		<u>\$ 17,599</u>	<u>\$ 11,049</u>	<u>\$ 10,578</u>	<u>\$ 37,683</u>	<u>\$ 28,062</u>
GAAP Litigation settlements		\$ 19,100	\$ -	\$ 40,000	\$ 19,100	\$ 40,000
Litigation settlements	G	(19,100)	-	(40,000)	(19,100)	(40,000)
Non-GAAP Litigation settlements		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Operating expenses		\$ 75,661	\$ 50,302	\$ 94,456	\$ 174,735	\$ 207,586
Stock-based compensation expense	A	(3,877)	(4,309)	(9,990)	(15,017)	(31,572)
Amortization of intangible assets	B	(55)	(62)	-	(117)	-
Change in estimate - reduction of contingency for employment tax audit	C	-	-	-	534	-
409A excise tax adjustments	D	-	-	(346)	-	(346)
Earnout settlement - Zynetix acquisition	E	(1,685)	-	-	(1,685)	-
Stock option review costs	F	-	-	(1,078)	-	(9,101)
Litigation settlements	G	(19,100)	-	(40,000)	(19,100)	(40,000)
Non-GAAP Operating expenses		<u>\$ 50,944</u>	<u>\$ 45,931</u>	<u>\$ 43,042</u>	<u>\$ 139,350</u>	<u>\$ 126,567</u>
GAAP Income (loss) from operations		\$ (36,473)	\$ 7,918	\$ (49,091)	\$ (31,378)	\$ (74,348)
Stock-based compensation expense	A	4,455	4,928	11,561	17,548	35,026
Amortization of intangible assets	B	318	323	49	690	98
Change in estimate - reduction of contingency for employment tax audit	C	-	-	-	(541)	-
409A excise tax adjustments	D	-	-	375	-	375
Earnout settlement - Zynetix acquisition	E	1,685	-	-	1,685	-
Stock option review costs	F	-	-	1,078	-	9,101
Litigation settlements	G	19,100	-	40,000	19,100	40,000

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

	Notes	Three months ended			Nine months ended	
		September 30, 2008	June 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Non-GAAP Income from operations		\$ (10,915)	\$ 13,169	\$ 3,972	\$ 7,104	\$ 10,252
GAAP Other income (expense)		\$ 2	\$ 6	\$ 2,024	\$ 387	\$ 1,088
Stock-based compensation-related expense (income)	H	-	-	(2,024)	-	(1,088)
Change in estimate - reduction of contingency for employment tax audit	C	-	-	-	(379)	-
Non-GAAP Other income (expense)		\$ 2	\$ 6	\$ -	\$ 8	\$ -
GAAP Loss from discontinued operations, net of tax		\$ (563)	\$ (3,349)	\$ (146)	\$ (4,308)	\$ (476)
Loss from discontinued operations, net of tax	J	563	3,349	146	4,308	476
Non-GAAP Loss from discontinued operations, net of tax		\$ -	\$ -	\$ -	\$ -	\$ -
GAAP Net income (loss)		\$ (19,582)	\$ 126	\$ (26,772)	\$ (18,890)	\$ (37,726)
Stock-based compensation expense	A	4,455	4,928	11,561	17,548	35,026
Amortization of intangible assets	B	318	323	49	690	98
Change in estimate - reduction of contingency for employment tax audit	C	-	-	-	(920)	-
409A excise tax adjustments	D	-	-	375	-	375
Earnout settlement - Zynetix acquisition	E	1,685	-	-	1,685	-
Stock option review costs	F	-	-	1,078	-	9,101
Litigation settlements	G	19,100	-	40,000	19,100	40,000
Stock-based compensation-related expense (income)	H	-	-	(2,024)	-	(1,088)
Income tax effect of non-GAAP adjustments - benefit (provision)	I	(8,487)	(2,582)	(19,074)	(13,899)	(30,495)
Loss from discontinued operations	J	563	3,349	146	4,308	476
Non-GAAP Net income		\$ (1,948)	\$ 6,144	\$ 5,339	\$ 9,622	\$ 15,767
Net income (loss) per share - diluted						
GAAP		\$ (0.07)	\$ -	\$ (0.10)	\$ (0.07)	\$ (0.14)
Non-GAAP		\$ (0.01)	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.06
Shares used in computing net income (loss) per share						
GAAP Shares used to compute diluted net income or net loss per share		271,619	273,710	262,913	271,121	260,834
Non-GAAP Shares used to compute diluted net income or net loss per share		271,619	273,710	275,351	271,693	275,503

SONUS NETWORKS, INC.
Reconciliation of Non-GAAP and GAAP Financial Information
Gross Profit to R&D Spend Ratio - Trailing 12 Months
(In thousands, except Ratio)

	Notes	Three months ended				
		Sept 30, 2007 (Q3 2007)	Dec 31, 2007 (Q4 2007)	March 31, 2008 (Q1 2008)	June 30, 2008 (Q2 2008)	Sept 30, 2008 (Q3 2008)
GAAP Gross profit		\$ 45,365	\$ 57,806	\$ 45,949	\$ 58,220	\$ 39,188
Stock-based compensation expense	A	1,571	970	1,334	619	578
Amortization of intangible assets	B	49	49	49	261	263
Change in estimate - reduction of contingency for employment tax and 409A excise tax adjustments	C	-	-	(7)	-	-
	D	29	-	-	-	-
Non-GAAP Gross profit		<u>\$ 47,014</u>	<u>\$ 58,825</u>	<u>\$ 47,325</u>	<u>\$ 59,100</u>	<u>\$ 40,029</u>
GAAP Research and development expense		\$ 21,008	\$ 16,826	\$ 20,327	\$ 18,231	\$ 17,885
Stock-based compensation expense	A	(4,064)	(2,163)	(3,663)	(1,369)	(1,018)
Change in estimate - reduction of contingency for employment tax and 409A excise tax adjustments	C	-	-	51	-	-
	D	(242)	(48)	-	-	-
Non-GAAP Research and development expense		<u>\$ 16,702</u>	<u>\$ 14,615</u>	<u>\$ 16,715</u>	<u>\$ 16,862</u>	<u>\$ 16,867</u>
Non-GAAP Gross Profit to R&D Spend Ratio - Trailing 12 Months	K					
<i>Twelve Months (Four Quarters) Ended September 30, 2008</i>						
Non-GAAP Gross profit	\$	205,279	(a)			
Non-GAAP Research and development expense	\$	65,059	(b)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (a)/(b)</i>	\$	3.2				
<i>Twelve Months (Four Quarters) Ended June 30, 2008</i>						
Non-GAAP Gross profit	\$	212,264	(c)			
Non-GAAP Research and development expense	\$	64,894	(d)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (c)/(d)</i>	\$	3.3				