

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

	Nine months ended September 30, 2007	Nine months ended September 30, 2006
Revenue:		
Product	\$ 158,941	\$ 146,880
Service	64,269	53,604
Total revenue	<u>223,210</u>	<u>200,484</u>
Cost of revenue:		
Product	62,530	50,694
Service	27,421	21,287
Total cost of revenue	<u>89,951</u>	<u>71,981</u>
Gross profit	<u>133,259</u>	<u>128,503</u>
Gross profit %		
Product	60.7%	65.5%
Service	57.3%	60.3%
Total gross profit	59.7%	64.1%
Operating expenses:		
Research and development	62,087	39,141
Sales and marketing	63,762	46,630
General and administrative	42,444	22,441
Settlement of litigation	40,000	-
Total operating expenses	<u>208,293</u>	<u>108,212</u>
Income (loss) from operations	(75,034)	20,291
Interest expense	(123)	(229)
Interest income	13,631	11,399
Other income (expense), net	<u>1,088</u>	<u>-</u>
Income (loss) before income taxes	(60,438)	31,461
Income tax benefit (provision)	22,712	(2,361)
Net income (loss)	<u>\$ (37,726)</u>	<u>\$ 29,100</u>
Net income (loss) per share:		
Basic	\$ (0.14)	\$ 0.12
Diluted	\$ (0.14)	\$ 0.11
Shares used in computing net income (loss) per share:		
Basic	260,834	252,291
Diluted	260,834	255,992