

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

|   | <b>Three Months<br/>Ended<br/>March 31,<br/>2006</b> | <b>Three Months<br/>Ended<br/>March 31,<br/>2005</b> |
|---|--|--|
| <b>Cash flows from operating activities:</b>  |  |  |
| Net income (loss)   | \$ 5,744   | \$ (3,695)   |
| Adjustments to reconcile net income (loss) to cash flows<br>provided by (used in) operating activities: |  |  |
| Depreciation and amortization of property and equipment   | 2,293  | 1,476  |
| Stock-based compensation  | 1,903  | -  |
| Loss of disposal of property and equipment  | 6  | -  |
| Changes in current assets and liabilities   |  |  |
| Accounts receivable   | 39,071   | 4,855  |
| Inventory   | 713  | (2,910)  |
| Other current assets  | (857)  | (762)  |
| Accounts payable  | (4,072)  | 1,334  |
| Accrued expenses and accrued restructuring expenses   | (3,926)  | (1,330)  |
| Deferred revenue  | (19,920)   | 948  |
| <b>Cash flows provided by (used in) operating activities</b>  | <u>20,955</u>  | <u>(84)</u>  |
| <b>Cash flows from investing activities:</b>  |  |  |
| Purchases of property and equipment   | (2,328)  | (4,303)  |
| (Purchases) maturities of marketable debt securities, net   | (131,366)  | 2,977  |
| Decrease in restricted cash   | 250  | -  |
| Other assets  | 85   | (81)   |
| <b>Net cash used in investing activities</b>  | <u>(133,359)</u>                                     | <u>(1,407)</u>                                       |
| <b>Cash flows from financing activities:</b>  |  |  |
| Sales of common stock in connection with employee stock purchase plan                                   | 2,311  | 2,313  |
| Proceeds from exercise of stock options   | 4,821  | 420  |
| Payments of long-term liabilities   | (12)   | (58)   |
| <b>Net cash provided by financing activities</b>  | <u>7,120</u>   | <u>2,675</u>   |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                     | (86)   | -  |
| <b>Net (decrease) increase in cash and cash equivalents</b>   | <u>(105,370)</u>                                     | <u>1,184</u>   |
| <b>Cash and cash equivalents, beginning of period</b>   | <u>155,679</u>                                       | <u>121,931</u>                                       |
| <b>Cash and cash equivalents, end of period</b>   | <u>\$ 50,309</u>                                     | <u>\$ 123,115</u>                                    |

###