

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

	Notes	Quarters Ended				Year Ended
		March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	December 31, 2006
GAAP Cost of revenues - product		\$ 15,883	\$ 16,199	\$ 18,612	\$ 20,129	\$ 70,823
Stock-based compensation expense	A	(15)	(10)	(34)	(22)	(81)
Withholding tax adjustments	C	(5)	(0)	(4)	(17)	(27)
Non-GAAP Cost of revenues - product		<u>15,863</u>	<u>16,189</u>	<u>18,573</u>	<u>20,090</u>	<u>70,715</u>
GAAP Cost of revenues - service		6,729	6,987	7,571	8,322	29,609
Stock-based compensation expense	A	(283)	(199)	(243)	(200)	(925)
Withholding tax adjustments	C	(4)	(4)	(3)	(44)	(56)
Non-GAAP Cost of revenues - service		<u>6,441</u>	<u>6,783</u>	<u>7,325</u>	<u>8,078</u>	<u>28,628</u>
GAAP Gross profit		37,383	41,294	49,826	50,548	179,051
Stock-based compensation expense	A	298	210	277	222	1,006
Withholding tax adjustments	C	10	5	8	61	83
Non-GAAP Gross profit		<u>37,691</u>	<u>41,508</u>	<u>50,111</u>	<u>50,831</u>	<u>180,140</u>
GAAP Gross profit % of revenue		62.3%	64.0%	65.6%	64.0%	64.1%
Stock-based compensation expense % of revenue	A	0.5%	0.3%	0.4%	0.3%	0.4%
Withholding tax adjustments % of revenue	C	0.0%	0.0%	0.0%	0.1%	0.0%
Non-GAAP Gross profit % of revenue		<u>62.8%</u>	<u>64.4%</u>	<u>65.9%</u>	<u>64.3%</u>	<u>64.5%</u>
GAAP Research and development expenses		13,076	12,900	13,165	16,305	55,446
Stock-based compensation expense	A	(787)	(633)	(630)	(1,759)	(3,809)
Withholding tax adjustments	C	(20)	(19)	(15)	(522)	(575)
Non-GAAP Research and development expenses		<u>12,269</u>	<u>12,248</u>	<u>12,520</u>	<u>14,024</u>	<u>51,061</u>
GAAP Sales and marketing expenses		14,025	15,646	16,959	19,118	65,748
Stock-based compensation expense	A	(512)	(1,165)	(769)	(1,544)	(3,990)
Withholding tax adjustments	C	(20)	(15)	(4)	(247)	(286)
Non-GAAP Sales and marketing expenses		<u>13,493</u>	<u>14,467</u>	<u>16,186</u>	<u>17,327</u>	<u>61,472</u>
GAAP General and administrative expenses		6,980	7,248	8,213	12,925	35,366
Stock-based compensation expense	A	(702)	(735)	(761)	(958)	(3,156)
Stock option investigation costs	B	-	-	(2,200)	(3,954)	(6,154)
Withholding tax adjustments	C	(125)	(67)	(84)	(272)	(547)
Non-GAAP General and administrative expenses		<u>6,153</u>	<u>6,446</u>	<u>5,168</u>	<u>7,742</u>	<u>25,509</u>
GAAP Total operating expenses % of revenue		56.8%	55.5%	50.4%	61.2%	56.0%
Stock-based compensation expense % of revenue	A	-3.3%	-3.9%	-2.8%	-5.4%	-3.9%
Stock option investigation costs % of revenue	B	0.0%	0.0%	-2.9%	-5.0%	-2.2%
Withholding tax adjustments % of revenue	C	-0.3%	-0.2%	-0.1%	-1.3%	-0.5%
Non-GAAP Total operating expenses % of revenue		<u>53.2%</u>	<u>51.4%</u>	<u>44.6%</u>	<u>49.5%</u>	<u>49.4%</u>
GAAP Income from operations		3,302	5,500	11,489	2,200	22,491
Stock-based compensation expense	A	2,299	2,743	2,437	4,482	11,961
Stock option investigation costs	B	-	-	2,200	3,954	6,154
Withholding tax adjustments	C	175	105	111	1,102	1,492
Non-GAAP Income from operations		<u>5,775</u>	<u>8,348</u>	<u>16,237</u>	<u>11,738</u>	<u>42,098</u>
GAAP Income tax benefit (provision)		(791)	(404)	(1,166)	67,319	64,958
Income tax effect of non-GAAP adjustments	F	-	(43)	(72)	(181)	(296)
Deferred tax valuation allowance reversal	D	-	-	-	(73,637)	(73,637)
Tax contingency reserve	E	-	-	-	5,599	5,599
Non-GAAP Income tax provision		<u>\$ (791)</u>	<u>\$ (447)</u>	<u>\$ (1,238)</u>	<u>\$ (900)</u>	<u>\$ (3,376)</u>