

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

	Notes	Three months ended		
		March 31, 2008	December 31, 2007	March 31, 2007
Revenue				
Product		\$ 50,984	\$ 67,289	\$ 51,627
Service		23,039	29,811	19,519
Total revenue		<u>\$ 74,023</u>	<u>\$ 97,100</u>	<u>\$ 71,146</u>
Gross profit				
Product		\$ 34,164	\$ 37,675	\$ 34,545
Service		11,964	19,808	10,940
Total gross profit		<u>\$ 46,128</u>	<u>\$ 57,483</u>	<u>\$ 45,485</u>
GAAP Gross margin - product		67.0%	56.0%	66.9%
Stock-based compensation expense	A	0.4%	0.4%	0.2%
Amortization of purchased intangible assets	C	0.1%	0.1%	0.0%
409A excise tax adjustment	D	0.0%	0.0%	0.0%
Change in estimate - reduction of contingency for employment tax audit	E	0.0%	0.0%	0.0%
Non-GAAP Gross margin - product		<u>67.5%</u>	<u>56.5%</u>	<u>67.1%</u>
GAAP Gross margin - service		51.9%	66.4%	56.0%
Stock-based compensation expense	A	5.0%	2.5%	3.0%
409A excise tax adjustment	D	0.0%	0.0%	0.0%
Non-GAAP Gross margin - service		<u>56.9%</u>	<u>68.9%</u>	<u>59.0%</u>
GAAP Total gross profit		\$ 46,128	\$ 57,483	\$ 45,485
Stock-based compensation expense	A	1,334	970	672
Amortization of purchased intangible assets	C	65	67	-
409A excise tax adjustments	D	-	1	-
Change in estimate - reduction of contingency for employment tax audit	F	(7)	-	-
Non-GAAP Total gross profit		<u>\$ 47,520</u>	<u>\$ 58,521</u>	<u>\$ 46,157</u>
GAAP Total gross margin		62.3%	59.2%	63.9%
Stock-based compensation expense % of revenue	A	1.8%	1.0%	1.0%
Amortization of purchased intangible assets % of revenue	C	0.1%	0.1%	0.0%
409A excise tax adjustments % of revenue	D	0.0%	0.0%	0.0%
Change in estimate - reduction of contingency for employment tax audit % of revenue	E	0.0%	0.0%	0.0%
Non-GAAP Total gross margin		<u>64.2%</u>	<u>60.3%</u>	<u>64.9%</u>
GAAP Research and development expense		\$ 20,498	\$ 17,042	\$ 18,698
Stock-based compensation expense	A	(3,689)	(2,186)	(3,209)
409A excise tax adjustments	D	-	(48)	-
Change in estimate - reduction of contingency for employment tax audit	E	51	-	-
Non-GAAP Research and development expense		<u>\$ 16,860</u>	<u>\$ 14,808</u>	<u>\$ 15,489</u>
GAAP Sales and marketing expense		\$ 18,941	\$ 18,107	\$ 23,050
Stock-based compensation expense	A	(1,893)	(1,408)	(3,522)
Amortization of purchased intangible assets	C	(75)	(77)	-
409A excise tax adjustments	D	-	(10)	-
Change in estimate - reduction of contingency for employment tax audit	E	96	-	-
Non-GAAP Sales and marketing expense		<u>\$ 17,069</u>	<u>\$ 16,612</u>	<u>\$ 19,528</u>
GAAP General and administrative expense		\$ 9,997	\$ 14,397	\$ 14,062
Stock-based compensation expense	A	(1,292)	(2,269)	(1,466)
Stock option review costs	B	-	(817)	(4,197)
409A excise tax adjustments	D	-	(3)	-
Change in estimate - reduction of contingency for employment tax audit	E	387	-	-
Non-GAAP General and administrative expense		<u>\$ 9,092</u>	<u>\$ 11,308</u>	<u>\$ 8,399</u>
GAAP Litigation settlement, net of insurance recovery		\$ -	\$ (15,328)	\$ -
Litigation settlement, net of insurance recovery	F	-	15,328	-
Non-GAAP Litigation settlement, net of insurance recovery		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Operating expenses		\$ 49,436	\$ 34,218	\$ 55,810
Stock-based compensation expense	A	(6,874)	(5,863)	(8,197)
Stock option review costs	B	-	(817)	(4,197)
Amortization of purchased intangible assets	C	(75)	(77)	-
409A excise tax adjustments	D	-	(61)	-
Change in estimate - reduction of contingency for employment tax audit	E	534	-	-
Litigation settlement insurance recovery	F	-	15,328	-
Non-GAAP Operating expenses		<u>\$ 43,021</u>	<u>\$ 42,728</u>	<u>\$ 43,416</u>
GAAP Income (loss) from operations		\$ (3,308)	\$ 23,265	\$ (10,325)
Stock-based compensation expense	A	8,208	6,833	8,869
Stock option review costs	B	-	817	4,197
Amortization of purchased intangible assets	C	140	144	-
409A excise tax adjustments	D	-	62	-
Change in estimate - reduction of contingency for employment tax audit	E	(541)	-	-
Litigation settlement insurance recovery	F	-	(15,328)	-
Non-GAAP Income from operations		<u>\$ 4,499</u>	<u>\$ 15,793</u>	<u>\$ 2,741</u>
GAAP Net income (loss)		\$ 566	\$ 14,089	\$ (3,978)
Stock-based compensation expense	A	8,208	6,833	8,869
Stock option review costs	B	-	817	4,197
Amortization of purchased intangible assets	C	140	144	-
409A excise tax adjustments	D	-	62	-
Change in estimate - reduction of contingency for employment tax audit	E	(920)	-	-
Litigation settlement insurance recovery	F	-	(15,328)	-
Stock-based compensation-related expense	G	-	20	680
Income tax effect of non-GAAP adjustments - benefit (provision)	H	(2,816)	5,388	(4,946)
Non-GAAP Net income		<u>\$ 5,178</u>	<u>\$ 12,025</u>	<u>\$ 4,822</u>
Net income (loss) per share - diluted				
GAAP		\$ -	\$ 0.05	\$ (0.01)
Non-GAAP		\$ 0.02	\$ 0.04	\$ 0.02
Shares used in computing net income (loss) per share				
Diluted shares for calculating net loss per share		270,590	262,913	259,768
Diluted shares for calculating net income per share		271,222	275,351	273,116