Wells Fargo

Technology, Media & Telecom Conference

Sonus

President and CEO, Ray Dolan

November 10, 2016

Cautionary Note Regarding Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, which are subject to a number of risks and uncertainties. All statements other than statements of historical facts contained in this presentation, including statements in the sections “Investment Thesis”, “Communication Networks are Changing”, “Anticipated Strategic Benefits of Taqua Acquisition”, “Projected Total Addressable Market (TAM) Expansion with Taqua Acquisition”, “Market Opportunity”, “Why is Sonus Strategically Positioned”, “Q416 and FY16 Guidance, excluding Taqua Acquisition”, “Q416 and FY16 Guidance, Taqua Only” and “Q416 and FY16 Guidance, Consolidated”, and “Sonus’ Mission”, and statements regarding our future results of operations and financial position, business strategy, strategic position, plans and objectives of management for future operations and plans for future product development and manufacturing, and statements regarding the impact of the Taqua acquisition on Sonus’ financial results, are forward-looking statements. Without limiting the foregoing, the words “anticipates”, “believes”, “could”, “estimates”, “expects”, “expectations”, “intends”, “may”, “plans”, “seeks”, “projects” and other similar language, whether in the negative or affirmative, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, the timing of customer purchasing decisions and our recognition of revenues; economic conditions; our ability to recruit and retain key personnel; difficulties supporting our strategic focus on channel sales; difficulties retaining and expanding our customer base; difficulties leveraging market opportunities; the impact of restructuring and cost-containment activities; our ability to realize benefits from the acquisitions that we have completed; the effects of disruption from the acquisitions that we have completed, making it more difficult to maintain relationships with employees, customers, business partners or government entities; the success implementing the integration strategies with respect to the acquisitions that we have completed; litigation; actions taken by significant stockholders; difficulties providing solutions that meet the needs of customers; market acceptance of our products and services; rapid technological and market change; our ability to protect our intellectual property rights; our ability to maintain partner, reseller, distribution and vendor support and supply relationships; higher risks in international operations and markets; the impact of increased competition; currency fluctuations; changes in the market price of our common stock; and/or failure or circumvention of our controls and procedures. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We therefore caution you against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in these forward-looking statements are discussed in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, Part I, Item 3 “Quantitative and Qualitative Disclosures About Market Risk” and Part II, Item 1A “Risk Factors” in the Company’s most recent Quarterly Report on Form 10-Q. Any forward-looking statement made by us in this presentation speaks only as of the date of this presentation. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Agenda

1. Investment Thesis
2. The Sonus Story
3. Product Offerings
4. Customers
5. Taqua Acquisition
6. Market Opportunity
7. Financial Highlights
8. Q&A

Investment Thesis

Solid Earnings Performance & Strong Balance Sheet

- At Inflection Point in Business and Earnings Model:
  - Transformed from hardware-based to software-based SBC with Non-GAAP gross margins close to 70%[1]
  - Acquired technology tuck-ins with intent to expand TAM and growth opportunities
  - Focused on cost controls and expanding gross margins to drive operating leverage
- FY16 Non-GAAP EPS guidance of $0.27[2] to $0.30[2]
- ~$2.40 per share in cash[3]

Underpins Our Core Valuation

Continued Investment in New Cloud Architecture

- Strategically positioned to capture share in migration to NFV
- R&D has continued to be ~25% of total revenue[1]

We Believe Sonus is Well-Positioned to be the Leader in the New Cloud Architecture

1) Non-GAAP financial measures for the trailing twelve months ended September 30, 2016; please see reconciliation in presentation appendix.
2) Guidance as October 26, 2016. Non-GAAP financial measures; please see reconciliation in presentation appendix.
3) As of September 30, 2016.

Evolution of Sonus

2010
- Pivoted Beyond Gateway to SBC
- Launched SBC 5K

2011
- Focused on SBC Growth
- Expanded Customer Focus on Enterprise
- Improving Non-GAAP Gross Margins[1], Which Were 57% in FY11 & 60% in FY12

2012 / 2013
- Acquired Network Equipment Technologies for Enterprise SBC 1K/2K (Edge)
- Established Channel Program
- ~60% of Product Revenue from SBC in FY13

2014
- Launched SBC 7K
- Acquired Performance Technologies for Signaling
- > 2/3 of Product Revenue from SBC in FY14

2015
- Product Portfolio Virtualized
- Acquired assets from Treq Labs for SDN Controller
- 1H Service Provider Spend Was Volatile
- Restructuring Led to $20M of Annualized Savings

2016
- Q316 = 5th Consecutive Quarter of Non-GAAP Diluted Earnings per Share[1]
- Acquired Taqua for mobile & fixed products/solutions
- Annualized Non-GAAP Gross Margin Close to 70%[2]
- $120+M[3] Cash & No Debt[3]

1) Non-GAAP financial measure; please see reconciliation in presentation appendix.
2) Non-GAAP financial measure for the trailing twelve months ended September 30, 2016; please see reconciliation in presentation appendix.
3) As of September 30, 2016.

Evolution of Sonus Technology

1997	2006	2012	2016

Applications

- Voice
- Fax
- HD Voice
- Unified Communications
  - Mobility
  - Video
  - Lync
  - IM/Presence
- 4G/VoLTE
  - RCS
  - IPX
  - Cloud
  - NFV

Infrastructure

Gateways & Policy Enable Network Modernization

SBCs & Voice Application Server

Expanded Focus on Enterprise & Channel

#1 Vendor Agnostic SBC Provider

Software, SDN, Diameter Signaling Controller, 10Gb SBC

Cloud communications made smarter

Sonus SBC Products

SBC 2000
600 Sessions
SBA
Media Interworking

SBC 5110
10,000 Sessions
High Availability
Media Interworking

SBC 5210
64,000 Sessions
High Availability
Media Interworking

SBC 1000
160 Sessions
SBA
Media Interworking

SBC SWe
Highly Scalable. Virtual. Elastic.
Proven for Cloud. Deploy Anyway
You Want

SBC 7000
150,000 Sessions
High Availability
Media Interworking

SMB ❯❯❯ *Enterprise* ❯❯❯ *Large Enterprise* ❯❯❯ *Service Provider*

Virtualized Product Portfolio

Communication Networks Are Changing

Service Providers Are…

- Increasing Service Agility to Compete;
- Looking to Lower Network Costs; and
- Introducing New Services to Increase Revenue.

Enterprises Are…

- Moving to SIP Trunking;
- Implementing Unified Communications; and
- Migrating to Virtual and Cloud-based Infrastructures.

Sonus Can Help Service Providers

- Cloud, SDN / NFV and Virtualization
- CPE for Managed Services
- Unified Communications
- WebRTC
- SIP Interconnect and NNI
- Securing Real-Time Communications
- Least Cost Routing
- Dynamic Session Routing

Sonus Can Help Mobile Operators

- **VoLTE and IMS**
- **Migration to SIP**
- **Securing Real-Time Communications**
- **Voice Over WiFi**

Sonus Can Help Enterprises

- Securing Real-Time Communications
- Migration to SIP
- Unified Communications
- WebRTC Enablement
- Microsoft and Broadsoft
- Dial Plan Consolidation and Interworking
- Migration to Cloud UC

Anticipated Strategic Benefits of Taqua Acquisition

Well-aligned with Sonus' growth strategy and customer base.

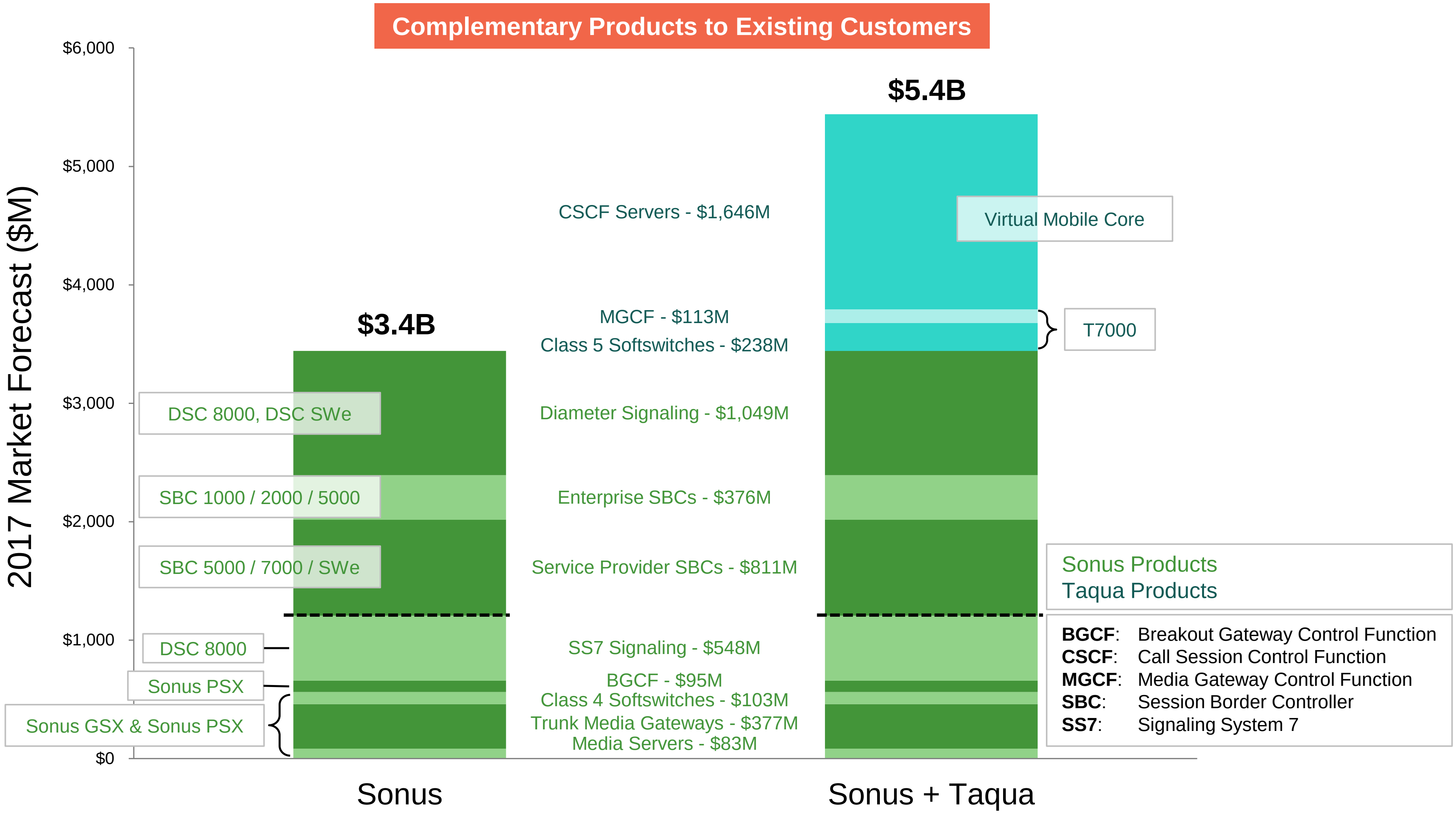
Expected to accelerate Sonus' mobility strategy by adding a Virtualized Mobile Core (VMC) Platform and IP Multimedia Subsystem (IMS) Service Core solutions.

- The combination of Taqua's VMC products with Sonus' critical SBCs and Diameter Edge / Core Routers provides a complete solution for the evolving VoLTE / VoWiFi markets.
- The acquisition is anticipated to strengthen Sonus' mobile sales channel and enhance sales opportunities within new mobile customers both domestically and internationally.

Expected to expand Sonus' fixed portfolio by adding a Class 5 Softswitch (called T7000) for Network Transformation projects and a Multimedia Controller used in IP Peering applications (called T7100), both of which are complementary to Sonus' current product offerings.

Expected to expand Sonus market within the IMS, VoLTE and VoWiFi segments.

Projected TAM Expansion with Taqua



Sources: IHS Infonetics and Exact Ventures estimates; see appendix for further details.

Market Opportunity

Growth Drivers

- SP SBC: Interconnect / NNI
- SP SBC: VoLTE / Access / UCaaS
- Ent SBC: Migration to SIP / UC
- Signaling / Diameter
- Class 5 Replacement

Longer Term Growth Driver

- Migration to NFV
- Virtualized Mobile Core

Why is Sonus Strategically Positioned?

- Sonus is Already Embedded in the World’s Largest SP Voice Networks
- Sonus DNA in Security, Policy, Interworking and Scale is Increasingly Relevant for Future
- Unmatched Reliability, Functionality, Performance and Security at Scale
- Migration to VoLTE and VoWiFi
- Sonus is Leading the Effort to Virtualization

Financial Highlights

Q316 Financial Results

	Sonus excl Taqua Guidance[2]	Sonus excl Taqua Actuals	Taqua Actuals	Consolidated incl Taqua Actuals
Total Revenue	$63M to $65M	$64.9M	$0.1M	$65.0M
Non-GAAP Gross Margin[1]	68% to 68.5%	70%	11.4%	69.9%
Non-GAAP Opex[1]	$38.5M to $39.5M	$38.7M	$0.3M	$39.0M
GAAP loss per share	($0.07) to ($0.06)	($0.07)	($0.01)	($0.08)
Non-GAAP Diluted earnings per share[1]	$0.08 to $0.09	$0.13	($0.01)	$0.12
Basic Shares	49.6M	49.4M	49.4M	49.4M
Diluted Shares	50M	49.9M	49.9M	49.9M

1) Non-GAAP financial measures; please see reconciliation in presentation appendix.
2) Guidance as provided on July 27, 2016.

Key Stats

$(000s)	YTD16	Q316	Q216	Q116	YTD15	Q315	Q215	Q115
Revenue								
Product	108,719	38,601	35,349	34,769	94,137	42,230	27,042	24,865
Services	76,300	26,410	25,508	24,382	78,571	25,632	27,659	25,280
Total Revenue	**185,019**	**65,011**	**60,857**	**59,151**	**172,708**	**67,862**	**54,701**	**50,145**
% of Total Revenue	**YTD16**	**Q316**	**Q216**	**Q116**	**YTD15**	**Q315**	**Q215**	**Q115**
Revenue								
Product	59%	59%	58%	59%	55%	62%	49%	50%
Services	41%	41%	42%	41%	45%	38%	51%	50%
Revenue by Geography								
Domestic	69%	70%	70%	68%	71%	77%	71%	62%
International	31%	30%	30%	32%	29%	23%	29%	38%
% of Product Revenue	**YTD16**	**Q316**	**Q216**	**Q116**	**YTD15**	**Q315**	**Q215**	**Q115**
Revenue by Channel								
Direct	74%	68%	75%	79%	76%	78%	74%	76%
Indirect	26%	32%	25%	21%	24%	22%	26%	24%
Operating Statistics	**YTD16**	**Q316**	**Q216**	**Q116**	**YTD15**	**Q315**	**Q215**	**Q115**
10% Customers								
Number of 10% customers	1	1	2	2	1	3	1	2
Name of 10% customers	AT&T	AT&T	AT&T Verizon	Level 3 AT&T	AT&T	AT&T Inteliquent CenturyLink	AT&T	Verizon Softbank
5K/7K								
5K/7K Product Revenue	41,903	14,194	13,588	14,121	32,146	13,524	9,457	9,165
5K/7K as % of Product Revenue	39%	37%	38%	41%	34%	32%	35%	37%
Top 5 Customers as % of Revenue	41%	41%	46%	46%	41%	50%	40%	43%
Enterprise as % of Product Revenue	20%	21%	20%	18%	19%	20%	22%	15%
Number of Total Customers**	*	698	691	640	*	664	624	695
Number of New Customers**	427	145	151	131	468	150	150	168

* Not historically provided.

**Customer count reflects end customer and excludes customers with maintenance only revenue of less than $5k on a quarterly basis.

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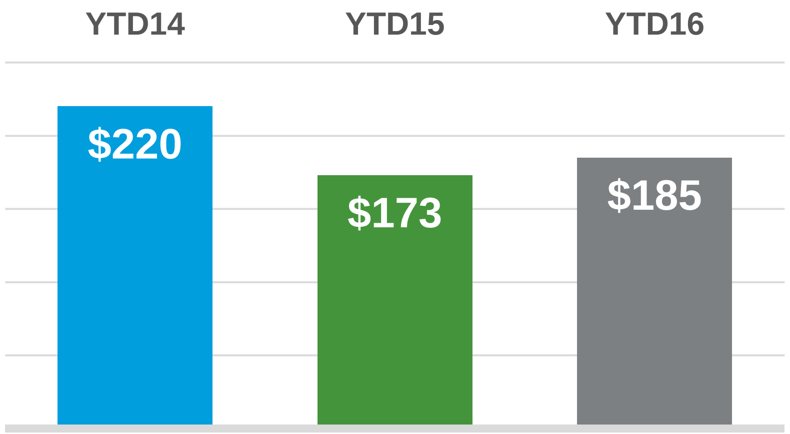
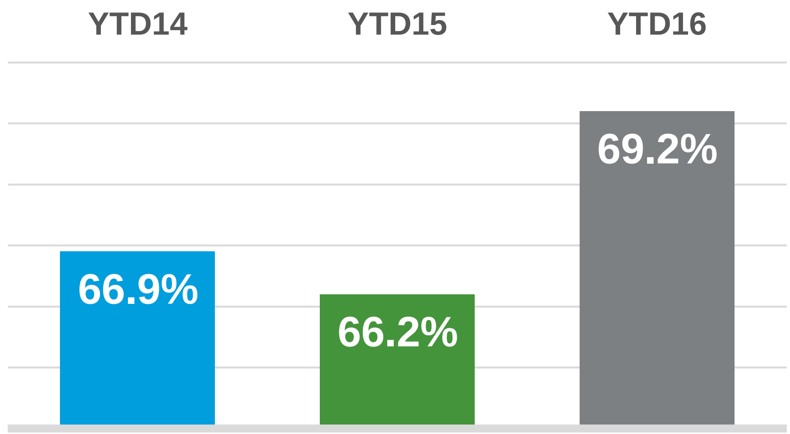
YTD through Q3 Actuals – Non-GAAP

FY14 FY15 FY16

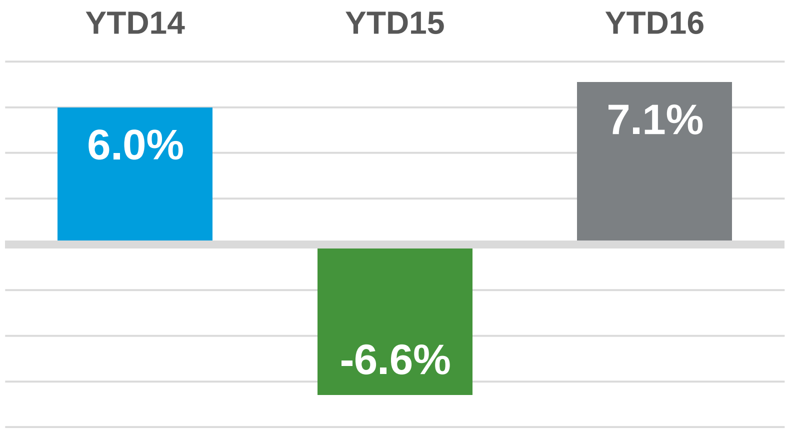
Revenue ($M)



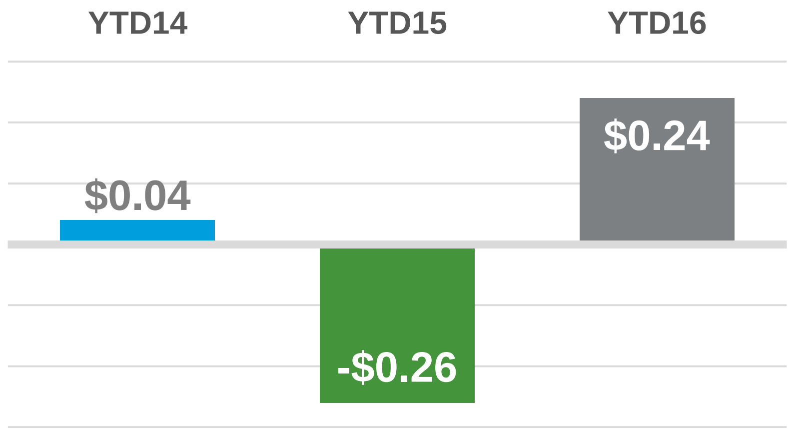
Gross Margins[1]



Operating Margins[1]



Earnings / (Loss) Per Share[1]



1) Non-GAAP financial measures; please see reconciliation in presentation appendix.

Q416 & FY16 Guidance
Excluding Taqua Acquisition

	Q416[2] Guidance	FY16[2] Guidance
Total Revenue	$65M to $67M	$250M to $252M
Non-GAAP Gross Margin[1]	69.0% to 69.5%	69.0% to 69.5%
Non-GAAP Opex[1]	$39.5M to $40.5M	$154M to $155M
GAAP (Loss) earnings per share	($0.05) to ($0.02)	($0.27) to ($0.24)
Non-GAAP Diluted earnings per share[1]	$0.09 to $0.12	$0.33 to $0.36
Basic Shares	49.5M	49.5M
Diluted Shares	50M	50M

1) Non-GAAP financial measures; please see reconciliation in presentation appendix.
2) Guidance as provided on October 26, 2016.

Q416 and FY16 Guidance, Taqua Only

	Q416[2] Guidance	FY16[2] Guidance
Total Revenue	$1.8M	$2M
Non-GAAP Gross Margin[1]	Not provided	Not provided
Non-GAAP Opex[1]	Not provided	Not provided
GAAP Loss per share	($0.08)	($0.09)
Non-GAAP Loss per share[1]	($0.05)	($0.06)
Basic Shares	49.5M	49.5M
Diluted Shares	49.5M	50M

1) Non-GAAP financial measures; please see reconciliation in presentation appendix.
2) Guidance as provided on July 27, 2016.

Q416 and FY16 Guidance, Consolidated

	Q416[2] Guidance	FY16[2] Guidance
Total Revenue	\$66.8M to \$68.8M	\$252M to \$254M
Non-GAAP Gross Margin[1]	68% to 68.5%	69.0% to 69.5%
Non-GAAP Opex[1]	\$43M to \$44M	\$157.5M to \$158.5M
GAAP Loss per share	(\$0.13) to (\$0.10)	(\$0.36) to (\$0.33)
Non-GAAP Diluted earnings per share[1]	\$0.04 to \$0.07	\$0.27 to \$0.30
Basic Shares	49.5M	49.5M
Diluted Shares	50M	50M

1) Non-GAAP financial measures; please see reconciliation in presentation appendix.
2) Guidance as provided on July 27, 2016.

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Sonus' Mission

Reliable & profitable supplier of intelligent real-time communications with continuous focus on driving top and bottom line financial results.

Sonus' Vision

Become a leader in the emerging Cloud architecture, driving incremental growth in revenue and earnings.


Sonus
Has What Matters
Security
Intelligence
Reliability
Scale
in the Cloud

Thank You

Appendix

Discussion of Non-GAAP Financial Measures (1 of 4)

Sonus management uses a number of different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of the business, making operating decisions, planning and forecasting future periods, and determining payments under compensation programs. Our annual financial plan is prepared both on a GAAP and non-GAAP basis, and the non-GAAP annual financial plan is approved by our board of directors. Continuous budgeting and forecasting for revenue and expenses are conducted on a non-GAAP basis (in addition to GAAP) and actual results on a non-GAAP basis are assessed against the annual financial plan. We consider the use of non-GAAP financial measures helpful in assessing the core performance of our continuing operations and liquidity, and when planning and forecasting future periods. By continuing operations, we mean the ongoing results of the business excluding certain expenses and credits, including, but not limited to: incremental cost of goods sold in connection with the fair value write-up of acquired inventory, stock-based compensation, amortization of intangible assets, the write-off of prepaid royalties for software licenses, incremental depreciation expense resulting from the write-up of acquired property and equipment, patent litigation settlement expense, depreciation expense for an abandoned facility, divestiture costs, acquisition-related expense, restructuring and certain gains and losses included in other income (expense). We consider the use of non-GAAP earnings (loss) per share helpful in assessing the performance of the continuing operations of our business. While our management uses non-GAAP financial measures as a tool to enhance their understanding of certain aspects of our financial performance, our management does not consider these measures to be a substitute for, or superior to, GAAP measures. In addition, our presentations of these measures may not be comparable to similarly titled measures used by other companies. These non-GAAP financial measures should not be considered alternatives for, or in isolation from, the financial information prepared and presented in accordance with GAAP.

Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to Sonus' financial measures reflect the exclusion of items that are recurring and will be reflected in our financial results for the foreseeable future.

As part of the assessment of assets acquired and liabilities assumed in connection with the Taqua acquisition, we were required to increase the aggregate fair value of acquired inventory by $0.6 million. The acquired inventory will be charged to cost of product revenue as it is sold to end customers. As part of the assessment of the Performance Technologies, Incorporated ("PT") acquisition, we were required to increase the aggregate fair value of acquired inventory by $1.8 million. The acquired inventory was charged to cost of product revenue as it was sold to end customers. We believe that the incremental cost of product revenue resulting from the fair value write-up of this acquired inventory is in excess of the amount we would have recorded in connection with the related product sales had we purchased the inventory ourselves as opposed to in connection with an acquisition. Accordingly, we believe that excluding this incremental cost of product revenue facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

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Discussion of Non-GAAP Financial Measures (2 of 4)

Stock-based compensation is different from other forms of compensation, as it is a non-cash expense. For example, a cash salary generally has a fixed and unvarying cash cost. In contrast, the expense associated with an equity-based award is generally unrelated to the amount of cash ultimately received by the employee, and the cost to us is based on a stock-based compensation valuation methodology and underlying assumptions that may vary over time. We believe that excluding non-cash stock-based compensation expense from our operating results facilitates the comparison of our financial statements to compare our financial results to our historical operating results and to other companies in our industry.

We exclude the amortization of acquired intangible assets from non-GAAP expense and income measures. These amortization amounts are inconsistent in frequency and amount and are significantly impacted by the timing and size of acquisitions. Although we exclude amortization of acquired intangible assets from our non-GAAP expenses, we believe that it is important for investors to understand that intangible assets contribute to revenue generation. We believe that excluding the non-cash amortization of intangible assets facilitates the comparison of our financial results to our historical operating results and to other companies in our industry as if the acquired intangible assets had been developed internally rather than acquired.

In the fourth quarter of 2012, we wrote off $7.1 million of prepaid royalties for software licenses related to products from which we did not expect to derive future revenues. We believe that excluding the write-off of these prepaid royalties facilitates the comparison of our financial results to our historical operating results and to other companies in our industry. This amount is included as a component of Cost of product sales; however, we believe that this write-off is not part of our ongoing operations, as there is no future revenue streams or benefits associated with this expense.

As part of the assessment of the assets acquired and liabilities assumed in connection with the Network Equipment Technologies, Inc. ("NET") acquisition, we were required to increase the aggregate fair value of acquired property and equipment by $2.0 million. The acquired property and equipment was depreciated over a weighted average useful life of approximately 2.5 years. We believe that the incremental depreciation expense resulting from the fair value write-up of this acquired property and equipment is in excess of the amount we would have recorded in connection with the related product sales and service revenue had we purchased the property and equipment ourselves as opposed to in connection with an acquisition. Accordingly, we believe that excluding this incremental depreciation expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

Discussion of Non-GAAP Financial Measures (3 of 4)

In June 2016, we recorded $0.6 million of patent litigation settlement costs. This amount is included as a component of General and administrative expense; however, we believe that such patent litigation settlement costs are not part of our core business or ongoing operations. Accordingly, we believe that excluding this patent litigation settlement expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

During the second quarter of 2015, we reached an agreement with the landlord of one of our previously restructured facilities to vacate the facility without penalty or future payments. As a result, we were able to vacate the facility earlier than originally planned. In connection with this settlement, we recorded incremental depreciation expense to account for the change in estimated life of the fixed assets related to this facility. We believe that excluding this incremental depreciation expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry, as such incremental depreciation expense is not related to our ongoing operations or our core business activities.

On June 20, 2014, we sold the Multi-Protocol Server (MPS) business that we had acquired in connection with the acquisition of PT. We incurred $0.4 million of transaction costs related to this divestiture. We do not consider these divestiture costs to be related to our continuing operations. Accordingly, we believe that excluding these divestiture costs facilitate the comparison of our financial results to our historical operating results and to other companies in our industry.

We consider certain transition, integration and other acquisition-related costs to be unpredictable and dependent on a significant number of factors that may be outside of our control. We do not consider these acquisition-related costs to be related to the continuing operations of the acquired business or the Company. In addition, the size, complexity and/or volume of an acquisition, which often drives the magnitude of acquisition-related costs, may not be indicative of such future costs. We believe that excluding acquisition-related costs facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

Discussion of Non-GAAP Financial Measures (4 of 4)

We have recorded restructuring expense to streamline operations and reduce operating costs by closing and consolidating certain facilities and reducing our worldwide workforce. Additionally, as announced above, we expect to record restructuring expense in connection with a new restructuring initiative over the next twelve months. We review our restructuring accruals regularly and record adjustments (both expense and credits) to these estimates as required. We believe that excluding restructuring expense and credits facilitates the comparison of our financial results to our historical operating results and to other companies in our industry, as there are no future revenue streams or other benefits associated with these costs.

In October 2015, we sold the PT domain name to a third party and recognized a gain, net of commission and fees, of $0.9 million. This amount is included as a component of Other income, net. In July 2016, we sold the NET domain name to a third party and expect to recognize a gain, net of commission and fees, of $0.8 million, which we will record as a component of Other income, net, in the third quarter of 2016. We believe that such gains are not part of our core business or ongoing operations. Accordingly, we believe that excluding the other income arising from this sale facilitates the comparison of our financial results to our historical results and to other companies in our industry.

In the first quarter of 2014, we received $2.25 million of cash related to the settlement of a litigation matter in which we recovered a portion of our losses related to the impairment of certain prepaid royalties for software licenses which we had written off in 2012. We recorded this gain as a component of Other income, net. We believe that income arising from such litigation settlements is not part of our core business or ongoing operations. Accordingly, we believe that excluding the other income arising from this litigation settlement facilitates the comparison of our financial results to our historical results and to other companies in our industry.

We believe that providing non-GAAP information to investors, in addition to the GAAP presentation, will allow investors to view the financial results in the way management views the operating results. We further believe that providing this information helps investors to better understand our financial performance and evaluate the efficacy of the methodology and information used by our management to evaluate and measure such performance.

FY11 and FY12 GAAP to Non-GAAP Reconciliation

	Year ended December 31,	
	2011	2012
GAAP total gross margin	56.3%	56.1%
Stock-based compensation expense	0.6%	0.4%
Amortization of intangible assets	0.0%	0.7%
Write-off of prepaid royalties for software licenses	0.0%	2.7%
Incremental depreciation expense resulting from the write-up of acquired property and equipment	0.0%	0.1%
Non-GAAP total gross margin	56.9%	60.0%

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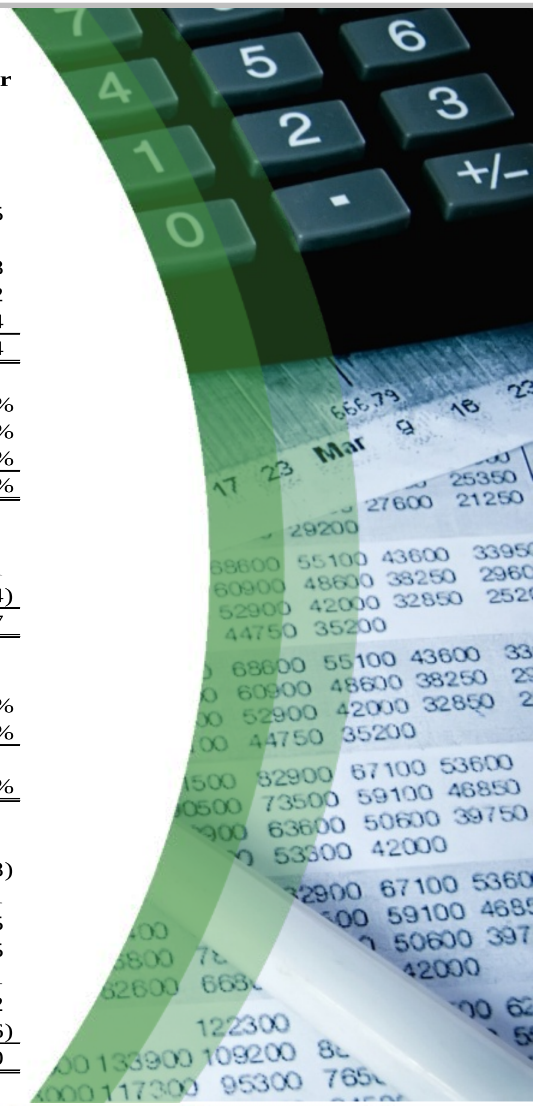
Rolling Four Quarters GAAP to Non-GAAP Reconciliation

(in thousands except percentages)	Q415	Q116	Q216	Q3 16	Total rolling four quarters ended Q316
Total revenue	$ 76,326	$ 59,151	$ 60,857	$ 65,011	$ 261,345
GAAP Total gross profit	$ 52,301	$ 38,403	$ 40,228	$ 43,586	$ 174,518
Stock-based compensation	448	403	415	426	1,692
Amortization of intangible assets	1,717	1,627	1,455	1,455	6,254
Non-GAAP Total gross profit	$ 54,466	$ 40,433	$ 42,098	$ 45,467	$ 182,464
GAAP Total gross margin					66.8%
Stock-based compensation					0.6%
Amortization of intangible assets					2.4%
Non-GAAP Total gross margin					69.8%
GAAP Research and development expense	$ 19,266	$ 17,318	$ 17,457	$ 18,230	$ 72,271
Stock-based compensation	(1,287)	(1,179)	(1,210)	(1,298)	(4,974)
Non-GAAP research and development expense	$ 17,979	$ 16,139	$ 16,247	$ 16,932	$ 67,297
GAAP Research and development expense as a percentage of total revenue					27.7%
Stock-based compensation					-1.9%
Non-GAAP research and development expense as a percentage of total revenue					25.8%
GAAP Net income (loss)	$ 4,703	$ (4,654)	$ (2,916)	$ (3,731)	$ (6,598)
Stock-based compensation	4,797	4,415	4,641	6,408	20,261
Amortization of intangible assets	2,132	1,946	1,773	1,774	7,625
Patent litigation settlement	-	-	605	-	605
Acquisition-related expense	-	-	-	951	951
Restructuring	842	-	-	1,620	2,462
Gain on sale of domain name	(896)	-	-	(800)	(1,696)
Non-GAAP Net income	$ 11,578	$ 1,707	$ 4,103	$ 6,222	$ 23,610



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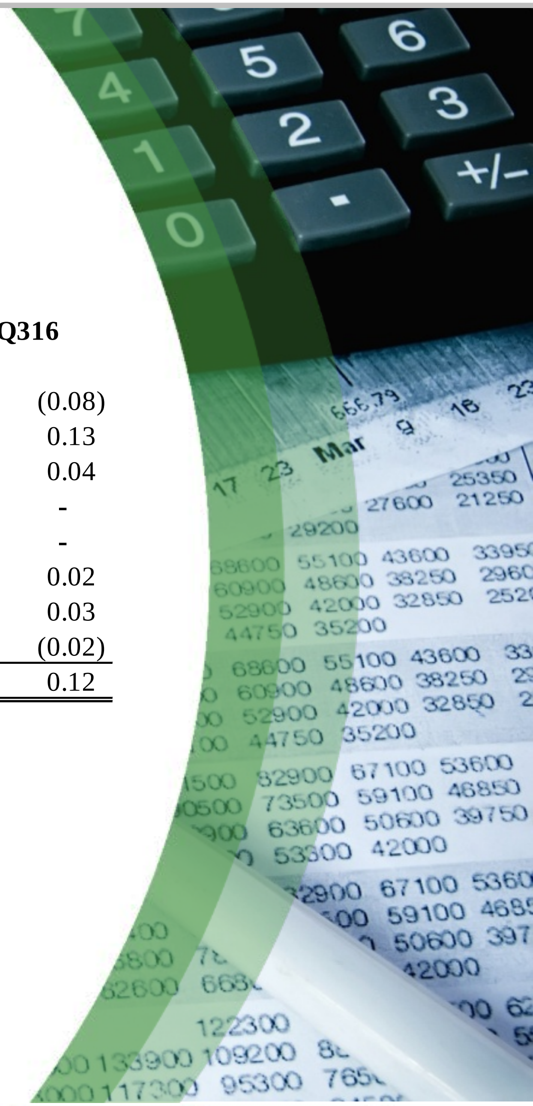
5th Consecutive Quarter Diluted EPS: GAAP to Non-GAAP Reconciliation

	Q315	Q415	Q116	Q216	Q316
GAAP diluted earnings (loss) per share	$ (0.04)	$ 0.09	$ (0.09)	$ (0.06)	$ (0.08)
Stock-based compensation expense	0.11	0.10	0.08	0.09	0.13
Amortization of intangible assets	0.03	0.04	0.04	0.04	0.04
Patent litigation settlement expense	-	-	-	0.01	-
Depreciation expense for abandoned facility	0.01	-	-	-	-
Acquisition-related expense	-	-	-	-	0.02
Restructuring	-	0.02	-	-	0.03
Gain on sale of domain name	-	(0.02)	-	-	(0.02)
Non-GAAP diluted earnings per share	$ 0.11	$ 0.23	$ 0.03	$ 0.08	$ 0.12



Sonus

Q316 Financial Results: GAAP to Non-GAAP Reconciliation

(in millions, except percentages and per share amounts)	Three months ended September 30, 2016		
	Sonus (excluding Taqua)	Taqua	Consolidated
GAAP gross margin	67.1%	11.4%	67.0%
Stock-based compensation expense	0.7%	0.0%	0.7%
Amortization of intangible assets	2.2%	0.0%	2.2%
Non-GAAP gross margin	70.0%	11.4%	69.9%
GAAP operating expenses	$ 47.2	$ 0.7	$ 47.9
Stock-based compensation expense	(6.0)	-	(6.0)
Amortization of intangible assets	(0.3)	-	(0.3)
Acquisition-related expense	(1.0)	-	(1.0)
Restructuring	(1.2)	(0.4)	(1.6)
Non-GAAP operating expenses	$ 38.7	$ 0.3	$ 39.0
GAAP diluted loss per share	$ (0.07)	$ (0.01)	$ (0.08)
Stock-based compensation expense	0.13	-	0.13
Amortization of intangible assets	0.04	-	0.04
Acquisition-related expense	0.02	-	0.02
Restructuring	0.03	*	0.03
Gain on sale of domain name	(0.02)	-	(0.02)
Non-GAAP diluted earnings (loss) per share	$ 0.13	$ (0.01)	$ 0.12

* Less than $0.01 impact on loss per share

Sonus

Q3 YTD Actuals: GAAP to Non-GAAP Reconciliation

	Q314 YTD	Q315 YTD	Q316 YTD
GAAP total gross margin	64.5%	63.3%	66.1%
Stock-based compensation expense	0.6%	0.8%	0.6%
Amortization of intangible assets	0.9%	2.1%	2.5%
Fair value write-up of acquired inventory	0.9%	0.0%	0.0%
Non-GAAP total gross margin	66.9%	66.2%	69.2%
GAAP loss from operations as a percentage of revenue (operating margin)	-7.0%	-20.4%	-5.9%
Fair value write-up of acquired inventory	0.8%	0.0%	0.0%
Stock-based compensation expense	8.9%	9.7%	8.3%
Amortization of intangible assets	1.5%	2.8%	3.0%
Patent litigation settlement expense	0.0%	0.0%	0.3%
Depreciation expense for abandoned facility	0.0%	0.4%	0.0%
Divestiture costs	0.2%	0.0%	0.0%
Acquisition-related expense	0.6%	0.1%	0.5%
Restructuring	1.0%	0.8%	0.9%
Non-GAAP income (loss) from operations as a percentage of revenue (operating margin)	6.0%	-6.6%	7.1%

Q3 YTD Actuals: GAAP to Non-GAAP Reconciliation

	Q314 YTD	Q315 YTD	Q316 YTD
GAAP loss per share	$ (0.29)	$ (0.74)	$ (0.23)
Fair value write-up of acquired inventory	0.03	-	-
Stock-based compensation expense	0.37	0.34	0.32
Amortization of intangible assets	0.07	0.10	0.11
Patent litigation settlement expense	-	-	0.01
Depreciation expense for abandoned facility	-	0.01	-
Divestiture costs	0.01	-	-
Acquisition-related expense	0.03	*	0.02
Restructuring	0.04	0.03	0.03
Gain on sale of domain name	-	-	(0.02)
Litigation settlement - prepaid licenses	(0.04)	-	-
Non-GAAP diluted earnings (loss) per share	$ 0.22	$ (0.26)	$ 0.24

* Less than $0.01 impact on loss per share

Q316 Guidance: GAAP to Non-GAAP Reconciliation

(in millions, except percentages and per share amounts)	Guidance (A) Three months ending September 30, 2016 Range	
Gross margin		
GAAP outlook	65.0%	65.6%
Stock-based compensation expense	0.6%	0.6%
Amortization of intangible assets	2.4%	2.3%
Non-GAAP guidance	68.0%	68.5%
Operating expenses		
GAAP outlook	$ 44.6	$ 45.6
Stock-based compensation expense	(4.3)	(4.3)
Amortization of intangible assets	(0.3)	(0.3)
Restructuring	(1.5)	(1.5)
Non-GAAP guidance	$ 38.5	$ 39.5
Income (loss) per share		
GAAP outlook	$ (0.07)	$ (0.06)
Stock-based compensation expense	0.10	0.10
Amortization of intangible assets	0.04	0.04
Restructuring	0.03	0.03
Gain on sale of domain name	(0.02)	(0.02)
Non-GAAP guidance	$ 0.08	$ 0.09

(A) As provided by the Company on July 27, 2016.

Q416 Guidance: GAAP to Non-GAAP Reconciliation

	Three months ending December 31, 2016 (A)				
	Sonus Only (excluding Taqua)		Taqua	Consolidated	
	Range			Range	
Revenue	$ 65.0	$ 67.0	$ 1.8	$ 66.8	$ 68.8
Gross margin					
GAAP outlook	66.0%	66.6%		64.1%	64.7%
Stock-based compensation expense	0.7%	0.7%		0.7%	0.7%
Amortization of intangible assets	2.3%	2.2%		2.9%	2.8%
Fair value write-up of acquired inventory	0.0%	0.0%		0.3%	0.3%
Non-GAAP guidance	69.0%	69.5%		68.0%	68.5%
Operating expenses					
GAAP outlook	$ 44.4	$ 45.4		$ 48.8	$ 49.8
Stock-based compensation expense	(4.6)	(4.6)		(4.6)	(4.6)
Amortization of intangible assets	(0.3)	(0.3)		(0.6)	(0.6)
Restructuring	-	-		(0.6)	(0.6)
Non-GAAP guidance	$ 39.5	$ 40.5		$ 43.0	$ 44.0
Income (loss) per share					
GAAP outlook	$ (0.05)	$ (0.02)	$ (0.08)	$ (0.13)	$ (0.10)
Stock-based compensation expense	0.10	0.10	-	0.10	0.10
Amortization of intangible assets	0.04	0.04	0.02	0.06	0.06
Fair value write-up of acquired inventory	-	-	*	*	*
Restructuring	-	-	0.01	0.01	0.01
Non-GAAP guidance	$ 0.09	$ 0.12	$ (0.05)	$ 0.04	$ 0.07

(A) As provided by the Company on October 26, 2016.

* Less than $0.01 impact on loss per share.

FY16 Guidance: GAAP to Non-GAAP Reconciliation

	Year ending December 31, 2016 (A)				
	Sonus Only (excluding Taqua)		Taqua	Consolidated	
	Range		Range	Range	
Revenue	$ 250.0	$ 252.0	$ 2.0	$ 252.0	$ 254.0
Gross margin					
GAAP outlook	65.9%	66.4%		65.7%	66.2%
Stock-based compensation expense	0.7%	0.7%		0.7%	0.7%
Amortization of intangible assets	2.4%	2.4%		2.5%	2.5%
Fair value write-up of acquired inventory	0.0%	0.0%		0.1%	0.1%
Non-GAAP guidance	69.0%	69.5%		69.0%	69.5%
Operating expenses					
GAAP outlook	$ 176.9	$ 177.9		$ 181.7	$ 182.7
Stock-based compensation expense	(18.8)	(18.8)		(18.8)	(18.8)
Amortization of intangible assets	(1.3)	(1.3)		(1.6)	(1.6)
Patent litigation settlement expense	(1.0)	(1.0)		(1.0)	(1.0)
Acquisition-related expense	(0.6)	(0.6)		(0.6)	(0.6)
Restructuring	(1.2)	(1.2)		(2.2)	(2.2)
Non-GAAP guidance	$ 154.0	$ 155.0		$ 157.5	$ 158.5
Income (loss) per share					
GAAP outlook	$ (0.27)	$ (0.24)	$ (0.10)	$ (0.36)	$ (0.33)
Stock-based compensation expense	0.41	0.41	-	0.41	0.41
Amortization of intangible assets	0.15	0.15	0.02	0.17	0.17
Fair value write-up of acquired inventory	-	-	*	*	*
Patent litigation settlement expense	0.01	0.01	-	0.01	0.01
Acquisition-related expense	0.02	0.02	-	0.02	0.02
Restructuring	0.03	0.03	0.02	0.04	0.04
Gain on sale of domain name	(0.02)	(0.02)	-	(0.02)	(0.02)
Non-GAAP guidance	$ 0.33	$ 0.36	$ (0.06)	$ 0.27	$ 0.30

(A) As provided by the Company on October 26, 2016.

* Less than $0.01 impact on loss per share.