Third Quarter 2014 Financial Results Conference Call

October 23, 2014

Sonus

Cautionary Note Regarding Forward-Looking Statements

The information in 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 “Q414 and FY14 Guidance,” “Total Quarterly Revenue Linearity Improving”, “Strong Year-over-Year Growth-related Revenue”, “Strong Sequential Growth-related Revenue”, “Driving Operating Leverage,” and “2015 Targets;” statements regarding our future results of operations and financial position, business strategy, plans and objectives of management for future operations and plans for future product development and manufacturing; and statements regarding the impact of the PT transaction on Sonus’ financial results and the impact of a reverse stock split on Sonus’ financial results, business performance and product offerings, 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 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 activities; our ability to realize benefits from the NET and PT acquisitions; the effects of disruption from the PT transaction, making it more difficult to maintain relationships with employees, customers, business partners or government entities; the success implementing the integration strategies of NET and PT; 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.

Third Quarter 2014 Financial Results & Q414 and FY14 Guidance

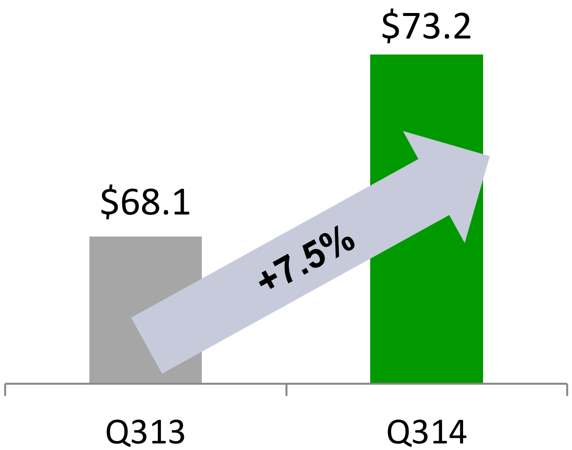
Mark Greenquist, CFO

Q314 Highlights

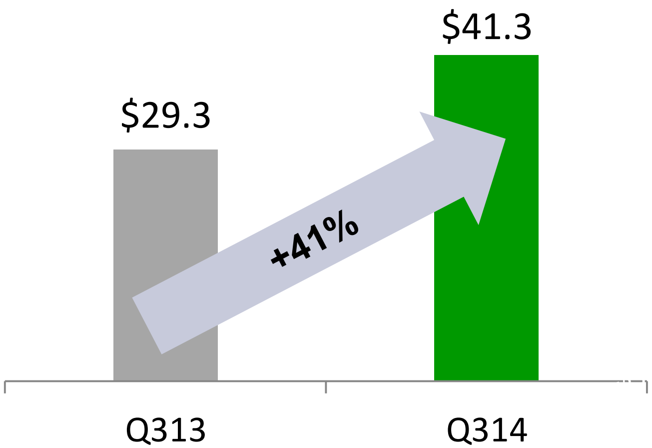
1. Solid Financial Results
2. Strong Commercial Traction
3. Continued Shareholder-Friendly Initiatives

Solid Financial Results

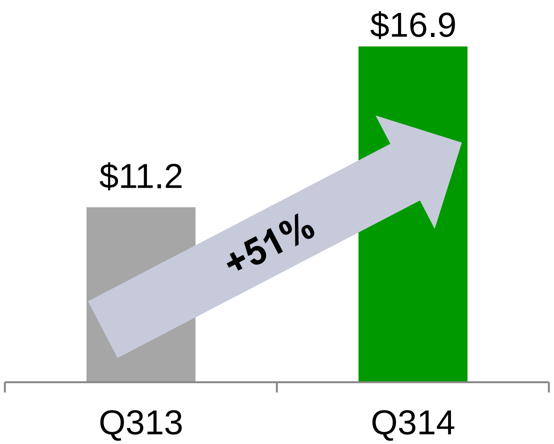
Total Revenue



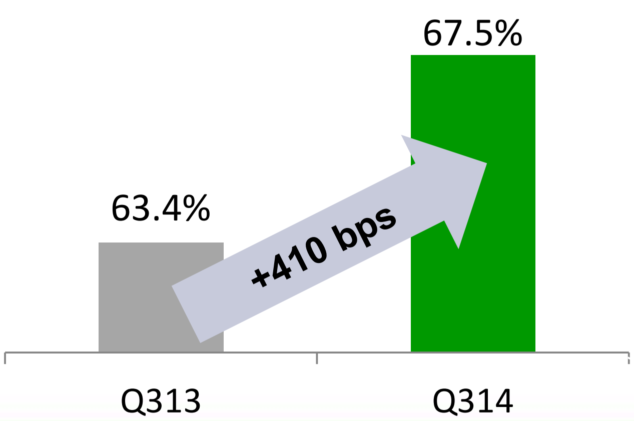
Total Growth-related Revenue[1]



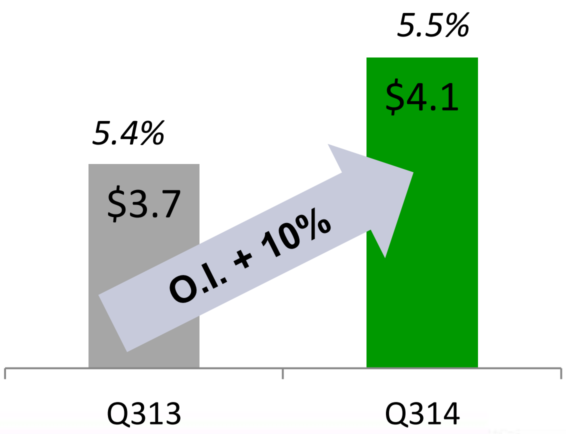
Channel Product Revenue



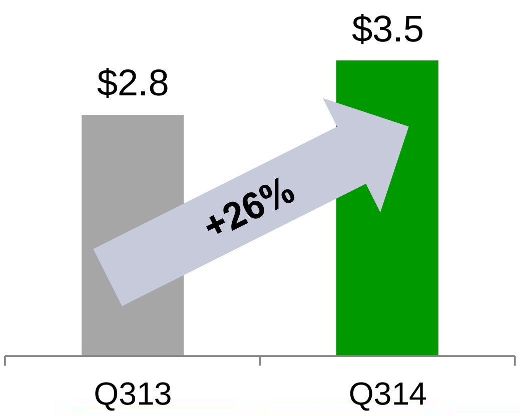
Gross Margin[2]



Op. Income & *Op. Margin*[2]



Net Income[2]



1) Growth-related revenue includes solutions which enable next-generation networks such as SIP and 4G/LTE; Legacy revenue includes solutions which enable older networks such as TDM and 3G.
2) Non-GAAP financial measures.

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Q314 Results vs. Guidance

	Q314 Actual	Q314 Guidance[2]	Q313 Actual	*YoY Change*
Total Company Revenue	**$73.2M**	$70M to $73M	$68.1M	*+7.5%*
Growth-related Revenue	**$41.3M**	$39M to $41M	$29.3M	*+41%*
Gross Margin[1]	**67.5%**	65% to 66%	63.4%	*+410 bps*
Opex[1]	**$45.4M**	$44M to $45M	$39.5M	*+15%*
Net Income[1]	**$3.5M**	Not provided	$2.8M	*+26%*
EPS[1]	**$0.01**	$0.01	$0.01	*$0.00*
Total Diluted Shares	**251.3M**	249M	282.5M	*(31.2M)*

1) Non-GAAP financial measures; percentages may not foot due to rounding.
2) Guidance as provided 7/30/14.

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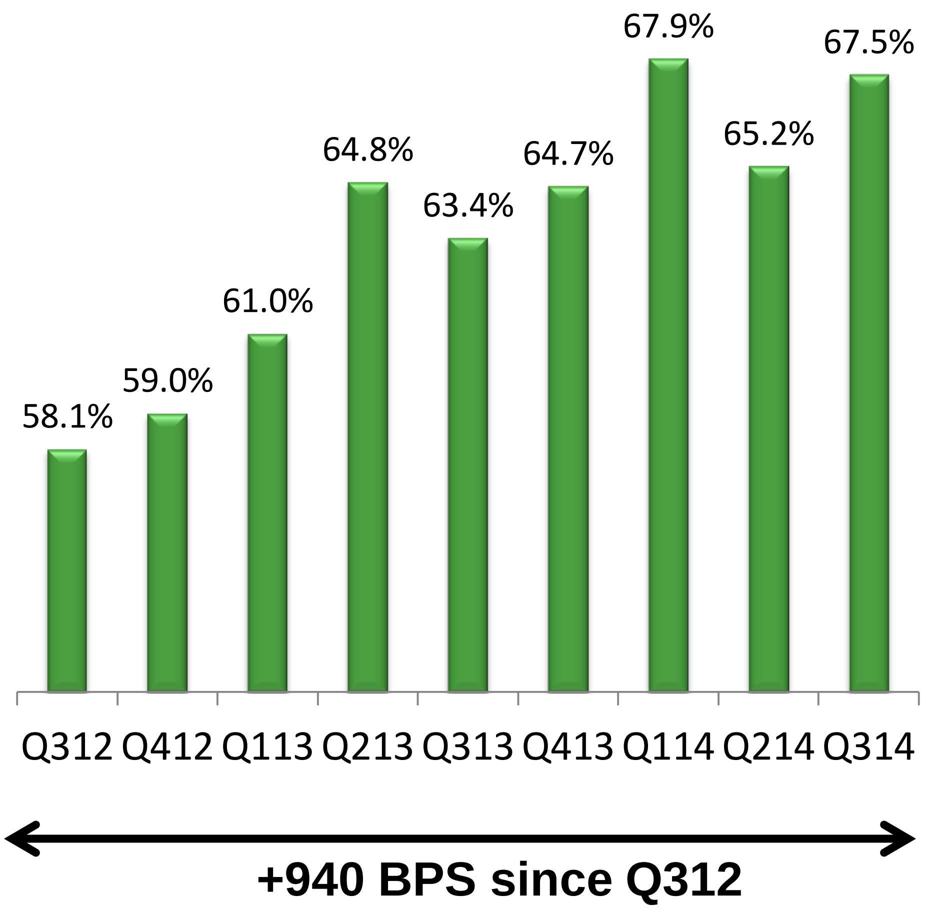
Strong Gross Margin Trend (Non-GAAP)



Gross Margin Drivers

- Improved Services margins
- Product mix shift to software
- Incremental licenses (razor/razor blade model)
- Increase in standards-based products (less customized)

Q414 and FY14 Guidance

	Q414 Guidance	FY14 Guidance[2]
Total Company Revenue	$76M to $82M	$295M to $301M
Growth-related Revenue	$44M to $48M	$165M to $169M
Gross Margin[1]	65.5% to 66%	66.5%
Opex[1]	$43M to $46M	$177M to $180M
EPS[1]	$0.03	$0.07
Total Diluted Shares	249M	255M

1) Non-GAAP financial measures.
2) FY14 Total Company Revenue guidance includes approximately $15 million from PT. FY14 Growth-related Revenue guidance includes approximately $3 million from PT DSC. FY14 EPS guidance of $0.07 includes a projected loss of approximately $0.01 from PT.

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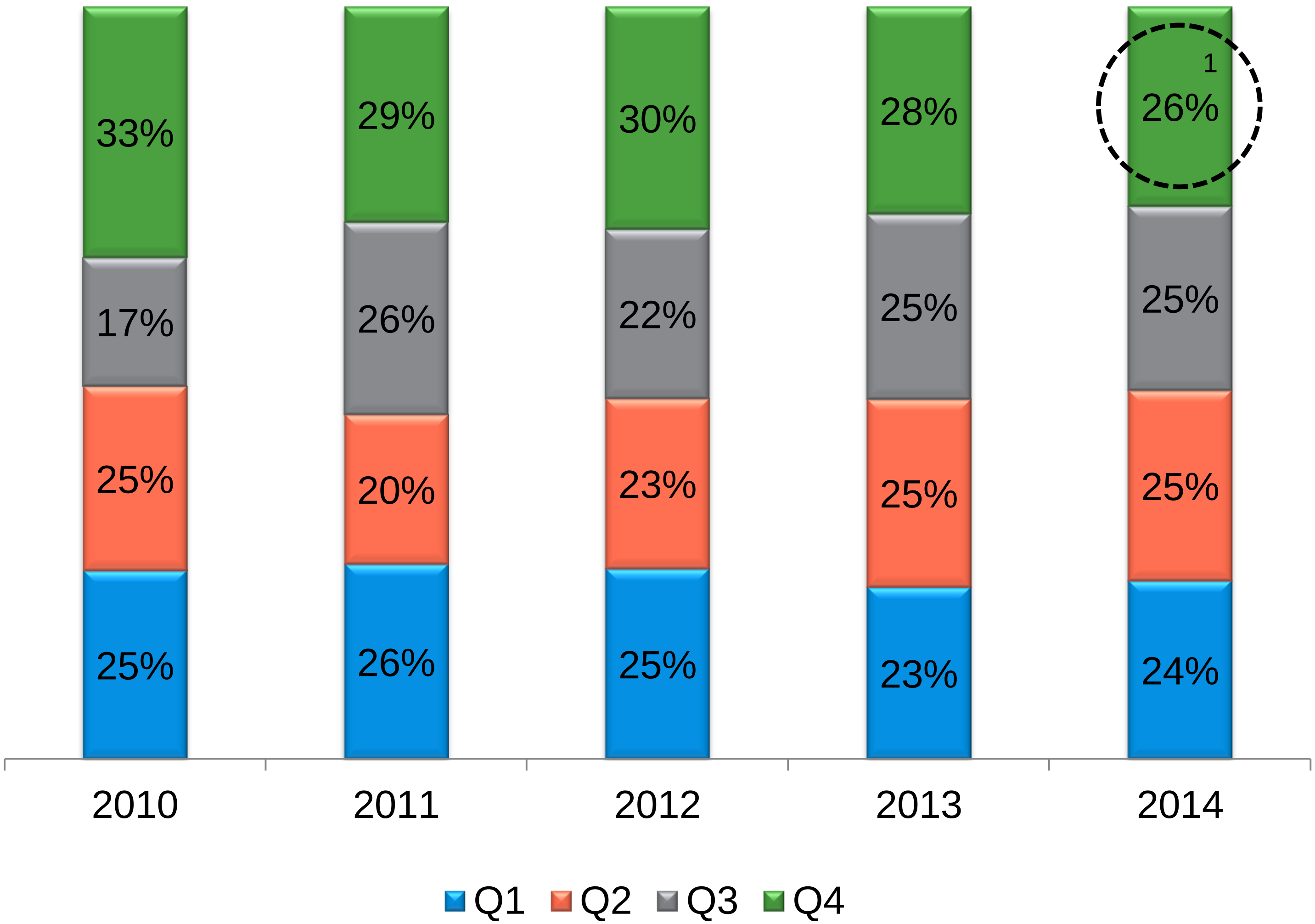
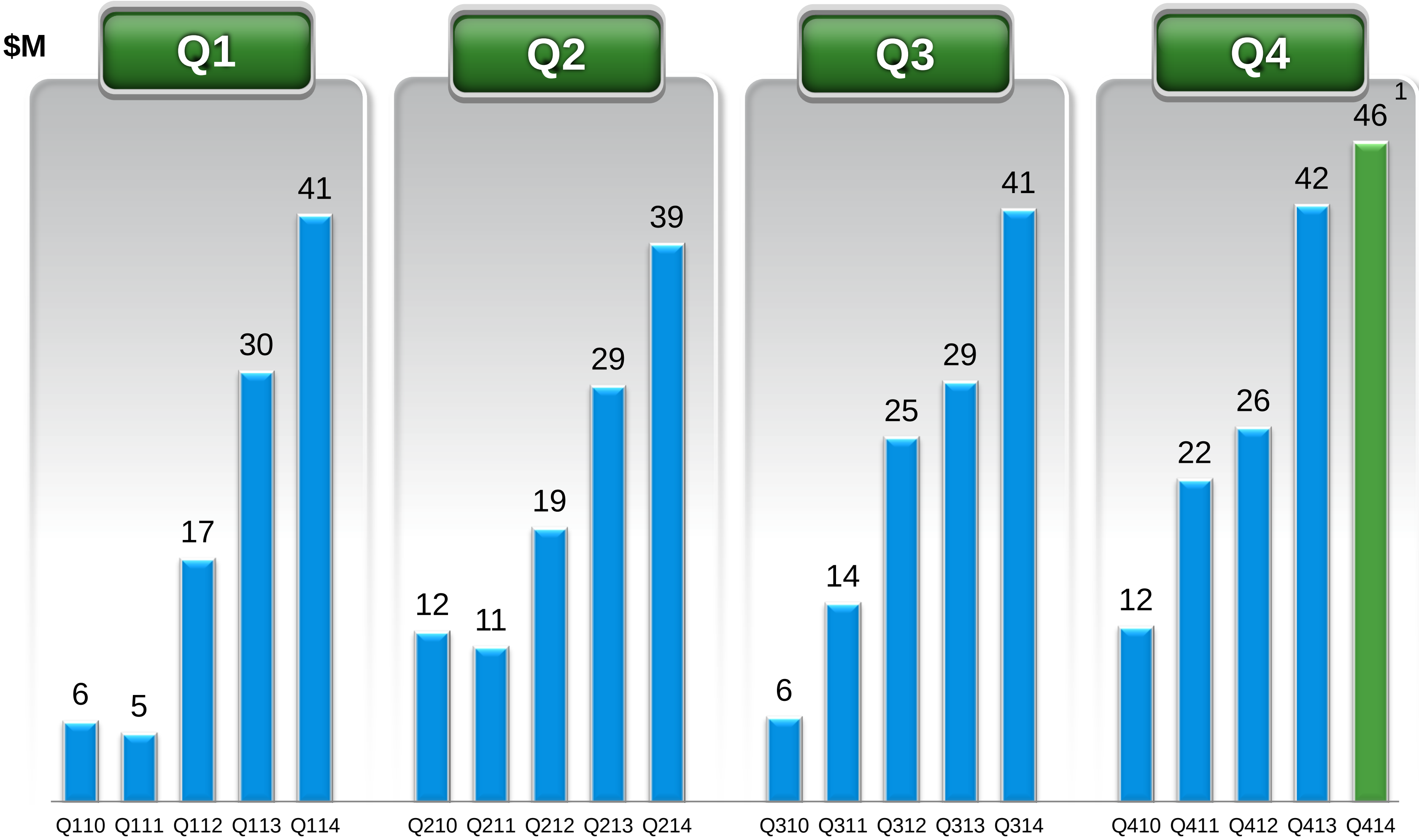
Total Quarterly Revenue Linearity Improving



1) Based on midpoint of Q4 revenue guidance of $79M as provided 10/23/14; range as guided is 26%-27%

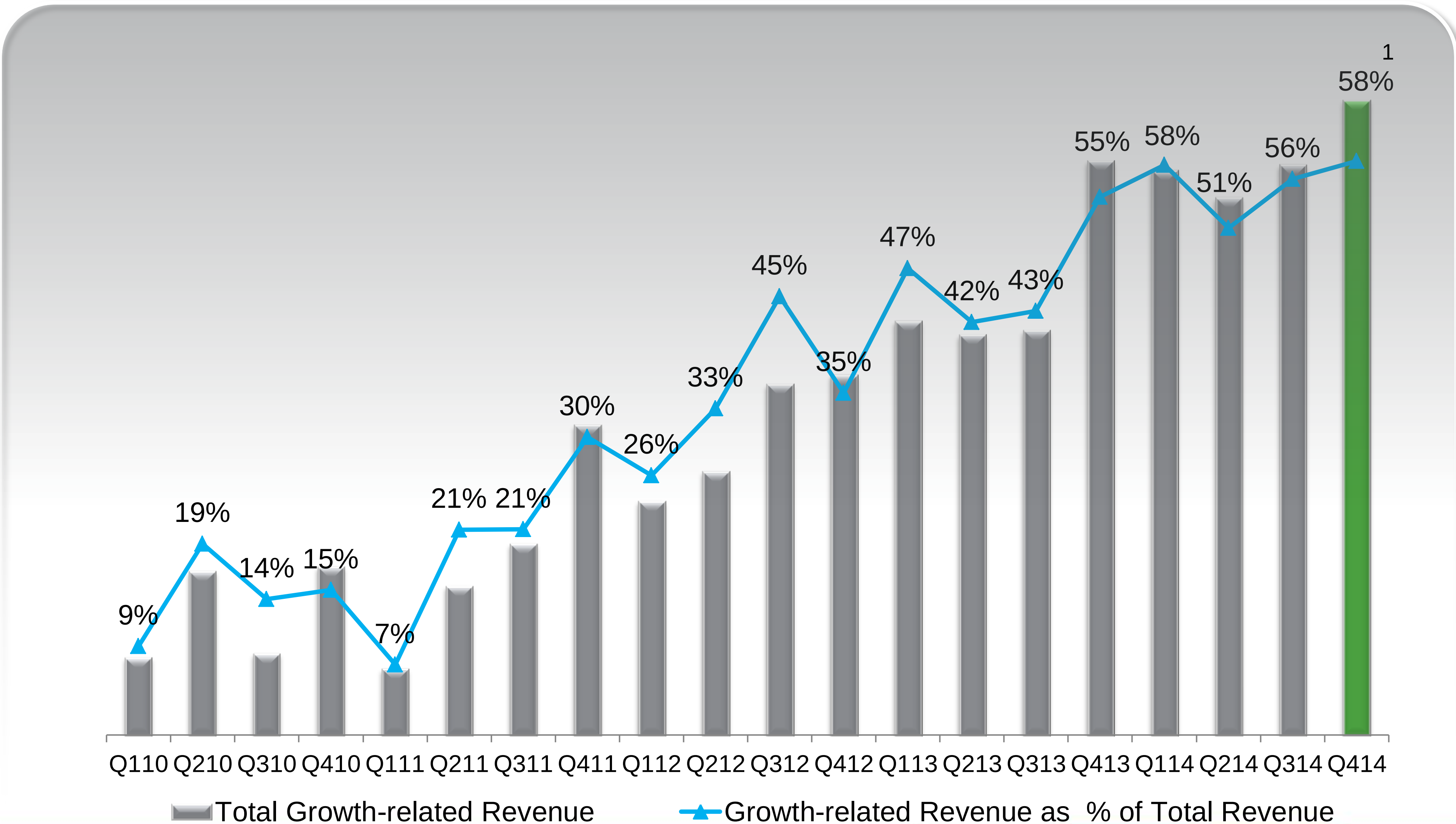
Note: Percentages in 2011 and 2013 do total 100% due to rounding

Strong Year-over-Year Growth-related Revenue



1) Based on midpoint of Q414 Growth-related Revenue guidance as provided 10/23/14

Strong Sequential Growth-related Revenue



1) Based on midpoint of Q414 Growth-related Revenue guidance as provided 10/23/14

Ray Dolan, President & CEO

Strong Commercial Traction

- Robust market growth
  - SIP Trunking growing ~35% globally in 2014[1]
  - 20% penetration in NA; APAC, EMEA opening up
- Sonus partner ecosystem enhanced
  - Genesys, Microsoft and BroadSoft
- Sonus competitive moat widening
  - Sonus leading in virtualization (SBC, PSX, DSC)
  - Continued strong interest for SBC 7000 (SPs, Contact Centers, MSOs, Enterprises)
- Early diameter traction
- New Tier 1 win in APAC

1) Source: Infonetics SIP Trunking Services Annual Worldwide and Regional Market Size and Forecast, 10/6/14

Continued Shareholder-Friendly Initiatives

- Generating Cash from Operations
  - ~$154M in Cash, cash equivalents and investments as of 9/26/14
- Stock Repurchases
  - Repurchased 44.1M shares to-date, 16% of total shares outstanding since the before buyback began
  - Avg. price per share $3.38
  - ~$26M remains available for future repurchases
- Responding to Shareholder Feedback
  - Eliminated shareholder rights plan (poison pill) in effect since 2008
  - Enhanced pay-for-performance practices
  - Filed Definitive Proxy Statement for approval of proposed reverse stock split and amendments to 2007 stock incentive plan

Split-Adjusted Q314 EPS (Illustrative)

- Q314 EPS Calculation Based on Proposed Reverse Stock Split Scenarios:

Q314 Reported Results	
Q314 EPS Guidance	$0.01
Diluted Shares Guidance (M)	249
Consensus Net Income (M)[1]	$2.11
Consensus EPS	$0.01
Reported Net Income (M)	$3.55
Reported EPS	$0.01
Beat/Miss	$0.00

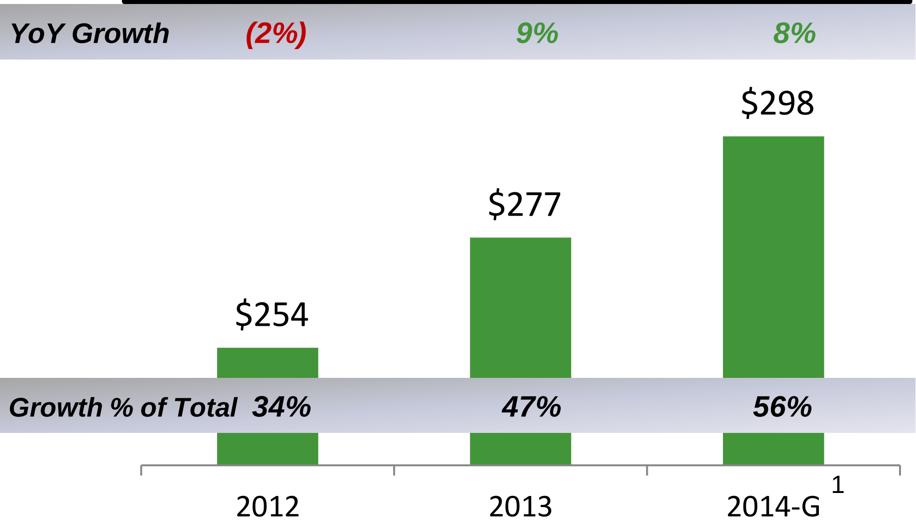
Split-Adjusted Results (For Illustrative Purposes)

	Split-Adjusted			
Split Ratio	Diluted Shares (M)	Consensus EPS	Actual EPS	Beat/Miss[2]
1:5	49.8	$0.04	$0.07	$0.03
1:6	41.5	$0.05	$0.09	$0.03
1:7	35.6	$0.06	$0.10	$0.04
1:8	31.1	$0.07	$0.11	$0.05
1:9	27.7	$0.08	$0.13	$0.05
1:10	24.9	$0.08	$0.14	$0.06

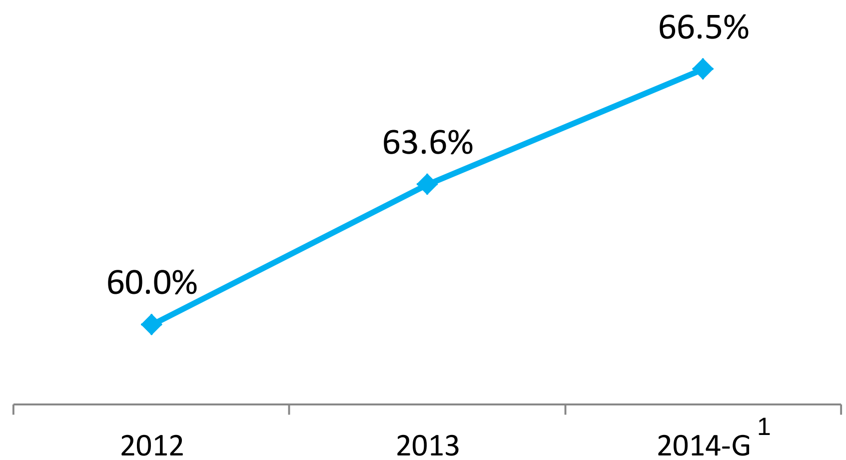
1) Consensus based on FactSet estimates as of 10/22/14
2) May not tie due to rounding

Driving Operating Leverage

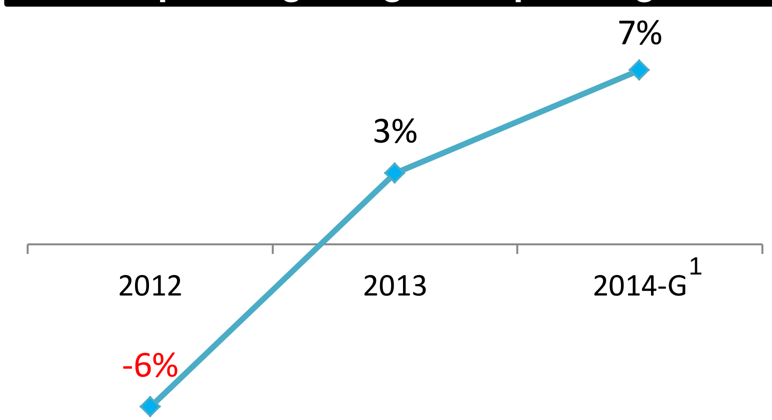
Revenue Growing ($M)



Gross Margins Expanding[2]



Operating Margins Expanding[2]



Earnings Growing[2]

1) “2014-G” refers to midpoint of guidance.
2) Non-GAAP financial measures; please see appendix for reconciliation of non-GAAP to GAAP.

2015 Targets

10% Revenue Growth

10% Operating Income Margin

Q&A

Upcoming Investor Conferences:

Needham Next-Gen Storage/Networking Conference, Nov 11, NYC
Wells Fargo Technology, Media & Telecom Conference, Nov 12, NYC

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Non-GAAP to GAAP Reconciliations

Actuals - Three months ended September 26, 2014 and September 27, 2013	Three months ended September 26, 2014	Three months ended September 27, 2013
GAAP total gross margin	65.4%	62.1%
Stock-based compensation expense	0.7%	0.5%
Amortization of intangible assets	0.9%	0.8%
Fair value write-up of acquired inventory	0.5%	0.0%
Non-GAAP total gross margin	67.5%	63.4%
GAAP operating expenses (in thousands)	$ 52,617	$ 45,175
Stock-based compensation expense	(6,016)	(4,028)
Amortization of intangible assets	(494)	(526)
Divestiture costs	(30)	-
Restructuring	(673)	(1,140)
Non-GAAP operating expenses	$ 45,404	$ 39,481
GAAP loss from operations (in thousands)	$ (4,715)	$ (2,911)
Fair value write-up of acquired inventory	364	-
Stock-based compensation expense	6,501	4,373
Amortization of intangible assets	1,195	1,087
Impairment of intangible assets	-	-
Divestiture costs	30	-
Restructuring	673	1,140
Non-GAAP income from operations	$ 4,048	$ 3,689
GAAP loss from operations as a percentage of revenue (operating margin)	(6.4%)	(4.3%)
Fair value write-up of acquired inventory	0.5%	0.0%
Stock-based compensation expense	8.9%	6.4%
Amortization of intangible assets	1.6%	1.6%
Divestiture costs	*	0.0%
Restructuring	0.9%	1.7%
Non-GAAP income from operations as a percentage of revenue (operating margin)	5.5%	5.4%

* Less than 0.1% impact on margin

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Non-GAAP to GAAP Reconciliations (cont'd)

Actuals - Three months ended September 26, 2014 and September 27, 2013 (continued)

	Three months ended September 26, 2014	Three months ended September 27, 2013
GAAP net loss (in thousands)	$ (5,213)	$ (3,773)
Fair value write-up of acquired inventory	364	-
Stock-based compensation expense	6,501	4,373
Amortization of intangible assets	1,195	1,087
Divestiture costs	30	-
Restructuring	673	1,140
Non-GAAP net income	$ 3,550	$ 2,827
Diluted earnings per share or (loss) per share		
GAAP	$ (0.02)	$ (0.01)
Non-GAAP	$ 0.01	$ 0.01
Shares used to compute diluted earnings per share or (loss) per share (in thousands)		
GAAP shares used to compute loss per share	246,457	279,209
Non-GAAP shares used to compute diluted earnings per share	251,300	282,517

Non-GAAP to GAAP Reconciliations (cont'd)

Actuals - Year ended December 31, 2013 and 2012	Year ended December 31, 2013	Year ended December 31, 2012
GAAP total gross margin	62.3%	56.1%
Stock-based compensation expense	0.4%	0.4%
Amortization of intangible assets	0.9%	0.7%
Write-off of prepaid royalties for software licenses	0.0%	2.7%
Depreciation expense - fair value write-up of acquired property and equipment	0.0%	0.1%
Non-GAAP total gross margin	63.6%	60.0%
GAAP loss from operations (in thousands)	$ (21,075)	$ (48,542)
Stock-based compensation expense	17,873	9,003
Amortization of intangible assets	4,546	2,773
Impairment of intangible assets	600	-
Write-off of prepaid royalties for software licenses	-	7,083
Depreciation expense - fair value write-up of acquired property and equipment	-	766
Acquisition-related expense	93	5,496
Restructuring	5,411	7,675
Non-GAAP income (loss) from operations	$ 7,448	$ (15,746)
GAAP loss from operations as a percentage of revenue (operating margin)	(7.6%)	(19.1%)
Stock-based compensation expense	6.5%	3.5%
Amortization of intangible assets	1.6%	1.1%
Impairment of intangible assets	0.2%	0.0%
Write-off of prepaid royalties for software licenses	0.0%	2.8%
Depreciation expense - fair value write-up of acquired property and equipment	0.0%	0.3%
Acquisition-related expense	*	2.2%
Restructuring	2.0%	3.0%
Non-GAAP income (loss) from operations as a percentage of revenue (operating margin)	2.7%	(6.2%)

* Less than 0.1% impact on margin

Non-GAAP to GAAP Reconciliations (cont'd)

Actuals - Year ended December 31, 2013 and 2012 (continued)

	Year ended December 31, 2013		Year ended December 31, 2012	
GAAP net loss (in thousands)	$	(22,119)	$	(50,169)
Stock-based compensation expense		17,873		9,003
Amortization of intangible assets		4,546		2,773
Impairment of intangible assets		600		-
Write-off of prepaid royalties for software licenses		-		7,083
Depreciation expense - fair value write-up of acquired property and equipment		-		766
Acquisition-related expense		93		5,496
Restructuring		5,411		7,675
Non-GAAP net income (loss)	$	6,404	$	(17,373)
Diluted earnings per share or (loss) per share				
GAAP	$	(0.08)	$	(0.18)
Non-GAAP	$	0.02	$	(0.06)
Shares used to compute diluted earnings per share or (loss) per share (in thousands)				
GAAP shares used to compute loss per share		278,428		280,090
Non-GAAP shares used to compute diluted earnings per share or loss per share		280,857		280,090

Non-GAAP to GAAP Reconciliations (cont'd)

Actuals - Quarterly gross margin - Q3 2012 through Q3 2014

	Q1	Q2	Q3	Q4
Fiscal 2014				
GAAP total gross margin	65.6%	62.6%	65.4%	
Stock-based compensation expense	0.5%	0.7%	0.7%	
Amortization of intangible assets	0.9%	0.9%	0.9%	
Fair value write-up of acquired inventory	0.9%	1.0%	0.5%	
Non-GAAP total gross margin	67.9%	65.2%	67.5%	
Fiscal 2013				
GAAP total gross margin	59.7%	63.6%	62.1%	63.5%
Stock-based compensation expense	0.4%	0.4%	0.5%	0.4%
Amortization of intangible assets	0.9%	0.8%	0.8%	0.8%
Non-GAAP total gross margin	61.0%	64.8%	63.4%	64.7%
Fiscal 2012				
GAAP total gross margin			56.9%	47.4%
Stock-based compensation expense			0.4%	0.3%
Amortization of intangible assets			0.8%	1.7%
Write-off of prepaid royalties for software licenses			0.0%	9.4%
Depreciation expense - fair value write-up of acquired property and equipment			*	0.2%
Non-GAAP total gross margin			58.1%	59.0%

* Less than 0.1% impact on margin

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Non-GAAP to GAAP Reconciliations (cont'd)

Guidance - Three months ended September 26, 2014
As published July 30, 2014

	Three months ended September 26, 2014	
	Range	
Gross margin		
GAAP outlook	63.0%	64.1%
Fair value write-up of acquired inventory	0.3%	0.3%
Stock-based compensation	0.7%	0.7%
Amortization of intangible assets	1.0%	0.9%
Non-GAAP outlook	65.0%	66.0%
Operating expenses (in millions)		
GAAP outlook	$ 51.1	$ 52.1
Stock-based compensation	(6.6)	(6.6)
Amortization of intangible assets	(0.5)	(0.5)
Non-GAAP outlook	$ 44.0	$ 45.0
Earnings (loss) per share		
GAAP outlook	$ (0.02)	$ (0.02)
Fair value write-up of acquired inventory	*	*
Stock-based compensation expense	0.03	0.03
Amortization of intangible assets	*	*
Non-GAAP outlook	$ 0.01	$ 0.01

* Less than $0.01 impact on earnings (loss) per share

Non-GAAP to GAAP Reconciliations (cont'd)

Guidance - Three months ended December 31, 2014
As published October 23, 2014

	Three months ended December 31, 2014 Range	
Gross margin		
GAAP outlook	63.9%	64.5%
Stock-based compensation expense	0.5%	0.5%
Amortization of intangible assets	1.1%	1.0%
Non-GAAP outlook	65.5%	66.0%
Operating expenses		
GAAP outlook	$ 51.8	$ 54.8
Stock-based compensation expense	(5.8)	(5.8)
Amortization of intangible assets	(0.5)	(0.5)
Restructuring	(2.5)	(2.5)
Non-GAAP outlook	$ 43.0	$ 46.0
Earnings (loss) per share		
GAAP outlook	$ (0.01)	$ (0.01)
Stock-based compensation expense	0.02	0.02
Amortization of intangible assets	0.01	0.01
Restructuring	0.01	0.01
Non-GAAP outlook	$ 0.03	$ 0.03

Non-GAAP to GAAP Reconciliations (cont'd)

Guidance - Year ended December 31, 2014
As published October 23, 2014

	Year ended December 31, 2014	
	Range	
Gross margin		
GAAP outlook	64.4%	64.4%
Fair value write-up of inventory	0.6%	0.6%
Stock-based compensation expense	0.6%	0.6%
Amortization of intangible assets	0.9%	0.9%
Non-GAAP outlook	66.5%	66.5%
Operating expenses		
GAAP outlook	$ 208.9	$ 211.9
Stock-based compensation expense	(23.6)	(23.6)
Amortization of intangible assets	(1.9)	(1.9)
Acquisition-related expenses	(1.3)	(1.3)
Divestiture costs	(0.4)	(0.4)
Restructuring	(4.7)	(4.7)
Non-GAAP outlook	$ 177.0	$ 180.0
Earnings (loss) per share		
GAAP outlook	$ (0.07)	$ (0.07)
Fair value write-up of inventory	0.01	0.01
Stock-based compensation expense	0.10	0.10
Amortization of intangible assets	0.02	0.02
Acquisition-related	*	*
Divestiture costs	*	*
Restructuring	0.02	0.02
Litigation settlement - prepaid licenses	(0.01)	(0.01)
Non-GAAP outlook	$ 0.07	$ 0.07

* Less than $0.01 impact on earnings (loss) per share

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Discussion of Non-GAAP Financial Measures

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 costs, including, but not limited to: cost of product revenue related to the fair value write-up of acquired inventory, stock-based compensation, amortization of intangible assets, impairment of intangible assets, acquisition-related costs, divestiture costs, restructuring and other income arising from the settlement of litigation related to prepaid royalties for software licenses. We also consider the use of non-GAAP earnings per share helpful in assessing the performance of the continuing operations of our business. While our management uses these 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.

Discussion of Non-GAAP Financial Measures (cont'd)

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 the assets acquired and liabilities assumed in connection with the 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 excluding the incremental cost of product revenue resulting from the fair value write-up of this acquired inventory facilitates the comparison of our operating results to our historical results and to other companies in our industry.

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 ability of readers 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.

Discussion of Non-GAAP Financial Measures (cont'd)

In the second quarter of 2013 we recorded $0.6 million of expense for the write-off of an intellectual property intangible asset which we determined was impaired as of June 28, 2013. We believe that excluding the impairment of intangible assets facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

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 facilities the comparison of our product gross margins to our historical operating results and other companies in our industry.

As part of the assessment of the assets acquired and liabilities assumed in connection with the 2012 Network Equipment Technologies, Inc. acquisition, we were required to increase the aggregate fair value of acquired property and equipment by $2.0 million. The acquired property and equipment is being depreciated over a weighted average useful life of approximately 2.5 years. We believe that excluding the incremental depreciation expense resulting from the fair value write-up of this acquired property and equipment in 2012 facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

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. We believe that excluding divestiture 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 (cont'd)

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.

We have recorded restructuring expense to streamline operations and reduce operating costs by closing and consolidating certain facilities and reducing our worldwide workforce. We believe that excluding restructuring expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

In the first quarter of 2014, we recorded $2.25 million of other income 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 fiscal 2012. We believe that excluding the other income arising from this settlement facilitates the comparison of our results to our historical results and 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.