

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

Notes	Three months ended			Nine months ended	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Revenue					
Product	\$ 19,391	\$ 36,796	\$ 33,544	\$ 92,465	\$ 89,267
Service	23,348	24,385	22,621	73,863	69,517
Total revenue	<u>\$ 42,739</u>	<u>\$ 61,181</u>	<u>\$ 56,165</u>	<u>\$ 166,328</u>	<u>\$ 158,784</u>
Gross profit					
Product	\$ 12,160	\$ 25,970	\$ 23,384	\$ 62,107	\$ 62,226
Service	11,618	12,543	11,866	38,362	36,531
Total gross profit	<u>\$ 23,778</u>	<u>\$ 38,513</u>	<u>\$ 35,250</u>	<u>\$ 100,469</u>	<u>\$ 98,757</u>
GAAP Gross margin - product	62.7%	70.6%	69.7%	67.2%	69.7%
Stock-based compensation expense	A 0.5%	0.2%	0.2%	0.3%	0.3%
Amortization of intangible assets	B 0.2%	0.1%	0.1%	0.1%	0.2%
Non-GAAP Gross margin - product	<u>63.4%</u>	<u>70.9%</u>	<u>70.0%</u>	<u>67.6%</u>	<u>70.2%</u>
GAAP Gross margin - service	49.8%	51.4%	52.5%	51.9%	52.6%
Stock-based compensation expense	A 1.7%	1.7%	2.1%	1.7%	1.9%
Non-GAAP Gross margin - service	<u>51.5%</u>	<u>53.1%</u>	<u>54.6%</u>	<u>53.6%</u>	<u>54.5%</u>
GAAP Total gross profit	\$ 23,778	\$ 38,513	\$ 35,250	\$ 100,469	\$ 98,757
Stock-based compensation expense	A 501	493	550	1,484	1,633
Amortization of intangible assets	B 37	38	40	113	184
Non-GAAP Total gross profit	<u>\$ 24,316</u>	<u>\$ 39,044</u>	<u>\$ 35,840</u>	<u>\$ 102,066</u>	<u>\$ 100,574</u>
GAAP Total gross margin	55.6%	62.9%	62.8%	60.4%	62.2%
Stock-based compensation expense % of revenue	A 1.2%	0.8%	0.9%	0.9%	1.0%
Amortization of intangible assets % of revenue	B 0.1%	0.1%	0.1%	0.1%	0.1%
Non-GAAP Total gross margin	<u>56.9%</u>	<u>63.8%</u>	<u>63.8%</u>	<u>61.4%</u>	<u>63.3%</u>
GAAP Research and development expense	\$ 16,226	\$ 15,106	\$ 14,141	\$ 46,272	\$ 45,995
Stock-based compensation expense	A (617)	(665)	(774)	(1,888)	(2,643)
Amortization of intangible assets	B (100)	(100)	-	(300)	-
Non-GAAP Research and development expense	<u>\$ 15,509</u>	<u>\$ 14,341</u>	<u>\$ 13,367</u>	<u>\$ 44,084</u>	<u>\$ 43,352</u>
GAAP Sales and marketing expense	\$ 11,836	\$ 12,392	\$ 11,527	\$ 37,822	\$ 36,018
Stock-based compensation expense	A (647)	(688)	(885)	(2,064)	(3,419)
Non-GAAP Sales and marketing expense	<u>\$ 11,189</u>	<u>\$ 11,704</u>	<u>\$ 10,642</u>	<u>\$ 35,758</u>	<u>\$ 32,599</u>
GAAP General and administrative expense	\$ 17,157	\$ 10,971	\$ 11,578	\$ 38,272	\$ 32,259
Stock-based compensation expense	A (4,947)	(1,366)	(930)	(6,974)	(2,194)
Non-GAAP General and administrative expense	<u>\$ 12,210</u>	<u>\$ 9,605</u>	<u>\$ 10,648</u>	<u>\$ 31,298</u>	<u>\$ 30,065</u>
GAAP Restructuring	\$ 1,114	\$ -	\$ 1,533	\$ 1,114	\$ 3,510
Restructuring	C (1,114)	-	(1,533)	(1,114)	(3,510)
Non-GAAP Restructuring	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Operating expenses	\$ 46,333	\$ 38,469	\$ 38,779	\$ 123,480	\$ 117,782
Stock-based compensation expense	A (6,211)	(2,719)	(2,589)	(10,926)	(8,256)
Amortization of intangible assets	B (100)	(100)	-	(300)	-
Restructuring	C (1,114)	-	(1,533)	(1,114)	(3,510)
Non-GAAP Operating expenses	<u>\$ 38,908</u>	<u>\$ 35,650</u>	<u>\$ 34,657</u>	<u>\$ 111,140</u>	<u>\$ 106,016</u>
GAAP Income (loss) from operations	\$ (22,555)	\$ 44	\$ (3,529)	\$ (23,011)	\$ (19,025)
Stock-based compensation expense	A 6,712	3,212	3,139	12,410	9,889
Amortization of intangible assets	B 137	138	40	413	184
Restructuring	C 1,114	-	1,533	1,114	3,510
Non-GAAP Income (loss) from operations	<u>\$ (14,592)</u>	<u>\$ 3,394</u>	<u>\$ 1,183</u>	<u>\$ (9,074)</u>	<u>\$ (5,442)</u>
GAAP Net income (loss)	\$ (22,278)	\$ 311	\$ (3,397)	\$ (22,101)	\$ (15,241)
Stock-based compensation expense	A 6,712	3,212	3,139	12,410	9,889
Amortization of intangible assets	B 137	138	40	413	184
Restructuring	C 1,114	-	1,533	1,114	3,510
Non-GAAP Net income	<u>\$ (14,315)</u>	<u>\$ 3,661</u>	<u>\$ 1,315</u>	<u>\$ (8,164)</u>	<u>\$ (1,658)</u>
Net income (loss) per share - diluted					
GAAP	\$ (0.08)	\$ -	\$ (0.01)	\$ (0.08)	\$ (0.06)
Non-GAAP	\$ (0.05)	\$ 0.01	\$ -	\$ (0.03)	\$ (0.01)
Shares used in computing diluted net income (loss) per share					
GAAP Shares used to compute diluted net income or net loss per share	275,412	276,314	273,907	275,107	273,518
Non-GAAP Shares used to compute diluted net income or net loss per share	275,412	276,314	274,205	275,107	273,518

SONUS NETWORKS, INC.
Reconciliation of Non-GAAP and GAAP Financial Information
Gross Profit to R&D Spend Ratio - Trailing 12 Months
(In thousands, except Ratio)

	Notes	Three months ended				
		30-Sep-09 (Q3 2009)	31-Dec-09 (Q4 2009)	31-Mar-10 (Q1 2010)	30-Jun-10 (Q2 2010)	30-Sep-10 (Q3 2010)
GAAP Gross profit		\$ 35,250	\$ 45,379	\$ 38,178	\$ 38,513	\$ 23,778
Stock-based compensation expense	A	550	512	490	493	501
Amortization of intangible assets	B	40	40	38	38	37
Non-GAAP Gross profit		<u>\$ 35,840</u>	<u>\$ 45,931</u>	<u>\$ 38,706</u>	<u>\$ 39,044</u>	<u>\$ 24,316</u>
GAAP Research and development expense		\$ 14,141	\$ 13,869	\$ 14,940	\$ 15,106	\$ 16,226
Stock-based compensation expense	A	(774)	(706)	(606)	(665)	(617)
Amortization of intangible assets	B	-	-	(100)	(100)	(100)
Non-GAAP Research and development expense		<u>\$ 13,367</u>	<u>\$ 13,163</u>	<u>\$ 14,234</u>	<u>\$ 14,341</u>	<u>\$ 15,509</u>
Non-GAAP Gross Profit to R&D Spend Ratio - Trailing 12 Months	D					
<i>Twelve Months (Four Quarters) Ended September 30, 2010</i>						
Non-GAAP Gross profit		\$ 147,997	(a)			
Non-GAAP Research and development expense		\$ 57,247	(b)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (a)/(b)</i>		\$ 2.6				
<i>Twelve Months (Four Quarters) Ended June 30, 2010</i>						
Non-GAAP Gross profit		\$ 159,521	(c)			
Non-GAAP Research and development expense		\$ 55,105	(d)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (c)/(d)</i>		\$ 2.9				