

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

	Notes	Three months ended			Year ended	
		December 31, 2008	September 30, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Revenue						
Product		\$ 53,642	\$ 36,710	\$ 67,361	\$ 203,387	\$ 225,644
Service		35,902	25,474	29,734	109,758	93,771
Total revenue		<u>\$ 89,544</u>	<u>\$ 62,184</u>	<u>\$ 97,095</u>	<u>\$ 313,145</u>	<u>\$ 319,415</u>
Gross profit						
Product		\$ 26,037	\$ 25,110	\$ 38,075	\$ 129,219	\$ 134,697
Service		13,879	14,078	19,731	54,054	56,347
Total gross profit		<u>\$ 39,916</u>	<u>\$ 39,188</u>	<u>\$ 57,806</u>	<u>\$ 183,273</u>	<u>\$ 191,044</u>
GAAP Gross margin - product		48.5%	68.4%	56.5%	63.5%	59.7%
Stock-based compensation expense	A	0.3%	0.4%	0.4%	0.4%	0.3%
Amortization of intangible assets	B	0.5%	0.7%	0.1%	0.4%	0.1%
Change in estimate - reduction of contingency for employment tax audit	C	0.0%	0.0%	0.0%	0.0%	0.0%
409A excise tax adjustments	D	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP Gross margin - product		<u>49.3%</u>	<u>69.5%</u>	<u>57.0%</u>	<u>64.3%</u>	<u>60.1%</u>
GAAP Gross margin - service		38.7%	55.3%	66.4%	49.2%	60.1%
Stock-based compensation expense	A	1.0%	1.6%	2.4%	2.2%	3.8%
Non-GAAP Gross margin - service		<u>39.7%</u>	<u>56.9%</u>	<u>68.8%</u>	<u>51.4%</u>	<u>63.9%</u>
GAAP Total gross profit		\$ 39,916	\$ 39,188	\$ 57,806	\$ 183,273	\$ 191,044
Stock-based compensation expense	A	512	578	970	3,043	4,424
Amortization of intangible assets	B	279	263	49	852	147
Change in estimate - reduction of contingency for employment tax audit	C	(1)	-	-	(8)	-
409A excise tax adjustments	D	-	-	-	-	29
Non-GAAP Total gross profit		<u>\$ 40,706</u>	<u>\$ 40,029</u>	<u>\$ 58,825</u>	<u>\$ 187,160</u>	<u>\$ 195,644</u>
GAAP Total gross margin		44.6%	63.0%	59.5%	58.5%	59.8%
Stock-based compensation expense % of revenue	A	0.6%	1.0%	1.0%	1.0%	1.5%
Amortization of intangible assets % of revenue	B	0.3%	0.4%	0.1%	0.3%	0.0%
Change in estimate - reduction of contingency for employment tax audit % of revenue	C	0.0%	0.0%	0.0%	0.0%	0.0%
409A excise tax adjustments	D	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP Total gross margin		<u>45.5%</u>	<u>64.4%</u>	<u>60.6%</u>	<u>59.8%</u>	<u>61.3%</u>
GAAP Research and development expense		\$ 15,780	\$ 17,885	\$ 16,826	\$ 72,223	\$ 78,652
Stock-based compensation expense	A	(996)	(1,018)	(2,163)	(7,046)	(15,906)
Change in estimate - reduction of contingency for employment tax audit	C	1	-	-	52	-
409A excise tax adjustments	D	-	-	(48)	-	(290)
Non-GAAP Research and development expense		<u>\$ 14,785</u>	<u>\$ 16,867</u>	<u>\$ 14,615</u>	<u>\$ 65,229</u>	<u>\$ 62,456</u>

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	Notes	Three months ended			Year ended	
		December 31, 2008	September 30, 2008	December 31, 2007	December 31, 2008	December 31, 2007
GAAP Sales and marketing expense		\$ 18,737	\$ 17,169	\$ 17,914	\$ 73,499	\$ 81,358
Stock-based compensation expense	A	(1,279)	(636)	(1,384)	(4,797)	(14,072)
Amortization of intangible assets	B	(52)	(55)	-	(169)	-
Change in estimate - reduction of contingency for employment tax audit	C	3	-	-	99	-
409A excise tax adjustments	D	-	-	(10)	-	(102)
Non-GAAP Sales and marketing expense		<u>\$ 17,409</u>	<u>\$ 16,478</u>	<u>\$ 16,520</u>	<u>\$ 68,632</u>	<u>\$ 67,184</u>
GAAP General and administrative expense		\$ 17,309	\$ 21,507	\$ 14,250	\$ 61,739	\$ 56,566
Stock-based compensation expense	A	(2,319)	(2,223)	(2,269)	(7,768)	(7,410)
Amortization of intangible assets	B	-	-	-	-	-
Change in estimate - reduction of contingency for employment tax audit	C	117	-	-	504	-
409A excise tax adjustments	D	-	-	(3)	-	(15)
Earnout settlement - Zynetix acquisition	E	334	(1,685)	-	(1,351)	-
Stock option review costs	F	-	-	(817)	-	(9,918)
Non-GAAP General and administrative expense		<u>\$ 15,441</u>	<u>\$ 17,599</u>	<u>\$ 11,161</u>	<u>\$ 53,124</u>	<u>\$ 39,223</u>
GAAP Litigation settlements, net of insurance recovery		\$ -	\$ 19,100	\$ (15,328)	\$ 19,100	\$ 24,672
Litigation settlements, net of insurance recovery	G	-	(19,100)	15,328	(19,100)	(24,672)
Non-GAAP Litigation settlements, net of insurance recovery		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Impairment of intangible assets		\$ 2,727	\$ -	\$ -	\$ 2,727	\$ -
Impairment of intangible assets	H	(2,727)	-	-	(2,727)	-
Non-GAAP Impairment of intangible assets		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Restructuring		\$ 702	\$ -	\$ -	\$ 702	\$ -
Restructuring	I	(702)	-	-	(702)	-
Non-GAAP Restructuring		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Operating expenses		\$ 55,255	\$ 75,661	\$ 33,662	\$ 229,990	\$ 241,248
Stock-based compensation expense	A	(4,594)	(3,877)	(5,816)	(19,611)	(37,388)
Amortization of intangible assets	B	(52)	(55)	-	(169)	-
Change in estimate - reduction of contingency for employment tax audit	C	121	-	-	655	-
409A excise tax adjustments	D	-	-	(61)	-	(407)
Earnout settlement - Zynetix acquisition	E	334	(1,685)	-	(1,351)	-
Stock option review costs	F	-	-	(817)	-	(9,918)
Litigation settlements, net of insurance recovery	G	-	(19,100)	15,328	(19,100)	(24,672)
Impairment of intangible assets	H	(2,727)	-	-	(2,727)	-
Restructuring	I	(702)	-	-	(702)	-
Non-GAAP Operating expenses		<u>\$ 47,635</u>	<u>\$ 50,944</u>	<u>\$ 42,296</u>	<u>\$ 186,985</u>	<u>\$ 168,863</u>

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

	Notes	Three months ended			Year ended	
		December 31, 2008	September 30, 2008	December 31, 2007	December 31, 2008	December 31, 2007
GAAP Income (loss) from operations		\$ (15,339)	\$ (36,473)	\$ 24,144	\$ (46,717)	\$ (50,204)
Stock-based compensation expense	A	5,106	4,455	6,786	22,654	41,812
Amortization of intangible assets	B	331	318	49	1,021	147
Change in estimate - reduction of contingency for employment tax audit	C	(122)	-	-	(663)	-
409A excise tax adjustments	D	-	-	61	-	436
Earnout settlement - Zynetix acquisition	E	(334)	1,685	-	1,351	-
Stock option review costs	F	-	-	817	-	9,918
Litigation settlements, net of insurance recovery	G	-	19,100	(15,328)	19,100	24,672
Impairment of intangible assets	H	2,727	-	-	2,727	-
Restructuring	I	702	-	-	702	-
Non-GAAP Income (loss) from operations		<u>\$ (6,929)</u>	<u>\$ (10,915)</u>	<u>\$ 16,529</u>	<u>\$ 175</u>	<u>\$ 26,781</u>
GAAP Interest expense		\$ (34)	\$ -	\$ -	\$ (291)	\$ -
Change in estimate - reduction of contingency for employment tax audit	C	(71)	-	-	(71)	-
Non-GAAP Interest expense		<u>\$ (105)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (362)</u>	<u>\$ -</u>
GAAP Other income (expense)		\$ (29)	\$ 2	\$ (20)	\$ 358	\$ 1,068
Stock-based compensation-related expense (income)	J	-	-	20	-	(1,068)
Change in estimate - reduction of contingency for employment tax audit	C	-	-	-	(379)	-
Non-GAAP Other income (expense)		<u>\$ (29)</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ (21)</u>	<u>\$ -</u>
GAAP Loss from discontinued operations, net of tax		\$ (183)	\$ (563)	\$ (610)	\$ (4,491)	\$ (1,086)
Loss from discontinued operations, net of tax	K	183	563	610	4,491	1,086
Non-GAAP Loss from discontinued operations, net of tax		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Loss on disposal of discontinued operations, net of tax		\$ (741)	\$ -	\$ -	\$ (741)	\$ -
Loss on disposal of discontinued operations, net of tax	L	741	-	-	741	-
Non-GAAP Loss on disposal of discontinued operations, net of tax		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	Notes	Three months ended			Year ended	
		December 31, 2008	September 30, 2008	December 31, 2007	December 31, 2008	December 31, 2007
GAAP Net income (loss)		\$ (99,906)	\$ (19,582)	\$ 14,089	\$ (118,796)	\$ (23,637)
Stock-based compensation expense	A	5,106	4,455	6,786	22,654	41,812
Amortization of intangible assets	B	331	318	49	1,021	147
Change in estimate - reduction of contingency for employment tax audit	C	(193)	-	-	(1,113)	-
409A excise tax adjustments	D	-	-	61	-	436
Earnout settlement - Zynetix acquisition	E	(334)	1,685	-	1,351	-
Stock option review costs	F	-	-	817	-	9,918
Litigation settlements, net of insurance recovery	G	-	19,100	(15,328)	19,100	24,672
Impairment of intangible assets	H	2,727	-	-	2,727	-
Restructuring	I	702	-	-	702	-
Stock-based compensation-related expense (income)	J	-	-	20	-	(1,068)
Income tax effect of non-GAAP adjustments - benefit (provision)	M	90,695	(8,487)	3,496	76,796	(26,999)
Loss from discontinued operations	K	183	563	610	4,491	1,086
Loss on disposal of discontinued operations, net of tax	L	741	-	-	741	-
Non-GAAP Net income (loss)		<u>\$ 52</u>	<u>\$ (1,948)</u>	<u>\$ 10,600</u>	<u>\$ 9,674</u>	<u>\$ 26,367</u>
Net income (loss) per share - diluted						
GAAP		\$ (0.37)	\$ (0.07)	\$ 0.05	\$ (0.44)	\$ (0.09)
Non-GAAP		\$ -	\$ (0.01)	\$ 0.04	\$ 0.04	\$ 0.10
Shares used in computing net income (loss) per share						
GAAP Shares used to compute diluted net income or net loss per share		272,536	271,619	279,798	271,477	262,924
Non-GAAP Shares used to compute diluted net income or net loss per share		273,121	271,619	279,798	272,093	276,458

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				
		Dec 31, 2007 (Q4 2007)	March 31, 2008 (Q1 2008)	June 30, 2008 (Q2 2008)	Sept 30, 2008 (Q3 2008)	Dec 31, 2008 (Q4 2008)
GAAP Gross profit		\$ 57,806	\$ 45,949	\$ 58,220	\$ 39,188	\$ 39,916
Stock-based compensation expense	A	970	1,334	619	578	512
Amortization of intangible assets	B	49	49	261	263	279
Change in estimate - reduction of contingency for employment tax audit	C	-	(7)	-	-	(1)
409A excise tax adjustments	D	-	-	-	-	-
Non-GAAP Gross profit		<u>\$ 58,825</u>	<u>\$ 47,325</u>	<u>\$ 59,100</u>	<u>\$ 40,029</u>	<u>\$ 40,706</u>
GAAP Research and development expense		\$ 16,826	\$ 20,327	\$ 18,231	\$ 17,885	\$ 15,780
Stock-based compensation expense	A	(2,163)	(3,663)	(1,369)	(1,018)	(996)
Change in estimate - reduction of contingency for employment tax audit	C	-	51	-	-	1
409A excise tax adjustments	D	(48)	-	-	-	-
Non-GAAP Research and development expense		<u>\$ 14,615</u>	<u>\$ 16,715</u>	<u>\$ 16,862</u>	<u>\$ 16,867</u>	<u>\$ 14,785</u>
Non-GAAP Gross Profit to R&D Spend Ratio - Trailing 12 Months	O					
<i>Twelve Months (Four Quarters) Ended December 31, 2008</i>						
Non-GAAP Gross profit		\$ 187,160	(a)			
Non-GAAP Research and development expense		\$ 65,229	(b)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (a)/(b)</i>		\$ 2.9				
<i>Twelve Months (Four Quarters) Ended September 30, 2008</i>						
Non-GAAP Gross profit		\$ 205,279	(c)			
Non-GAAP Research and development expense		\$ 65,059	(d)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (c)/(d)</i>		\$ 3.2				