Fourth Quarter 2014 Financial Results Conference Call

February 18, 2015

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 “Executed Successful Transformation,” “Q115 and FY15 Guidance,” “2015 Revenue Assumptions,” “Maintenance and Services Revenue Trend,” “Continued Shareholder-Friendly Initiatives,” and “Focus Areas in 2015,” 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 results of the reverse split of our common stock and impact of the PT and Treq transactions on our 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 and the Treq SDN asset acquisition; the effects of disruption from the PT and Treq transactions, making it more difficult to maintain relationships with employees, customers, business partners or government entities; the success implementing the integration strategies of NET, PT and Treq SDN assets; 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; the impact of the reverse split of our common stock and 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.

Ray Dolan

President & CEO

Agenda

- Financial and Operational Highlights
- Q414 Results
- Q115 and Full Year 2015 Outlook
- 2015 Areas of Focus
- Q&A

Executed Successful Transformation

People
Refreshed Team and Strategy

Product
Expanded Portfolio & Introduced Channel

Process
Rewiring for Simplicity and Speed

Profit
Generating Cash and Earnings

Solid Foundation in Place to Drive Operating Leverage

Full Year 2014 Highlights[1]

Total Revenue
up 7%

Channel Revenue[2]
up 51%

Customers
up 39%

Gross Margin[3]
up 380 bps

Operating Margin[3]
up 430 bps

Net Income[3]
up 194%

1) Full year 2014 compared to full year 2013
2) Channel product revenue
3) Non-GAAP financial measures

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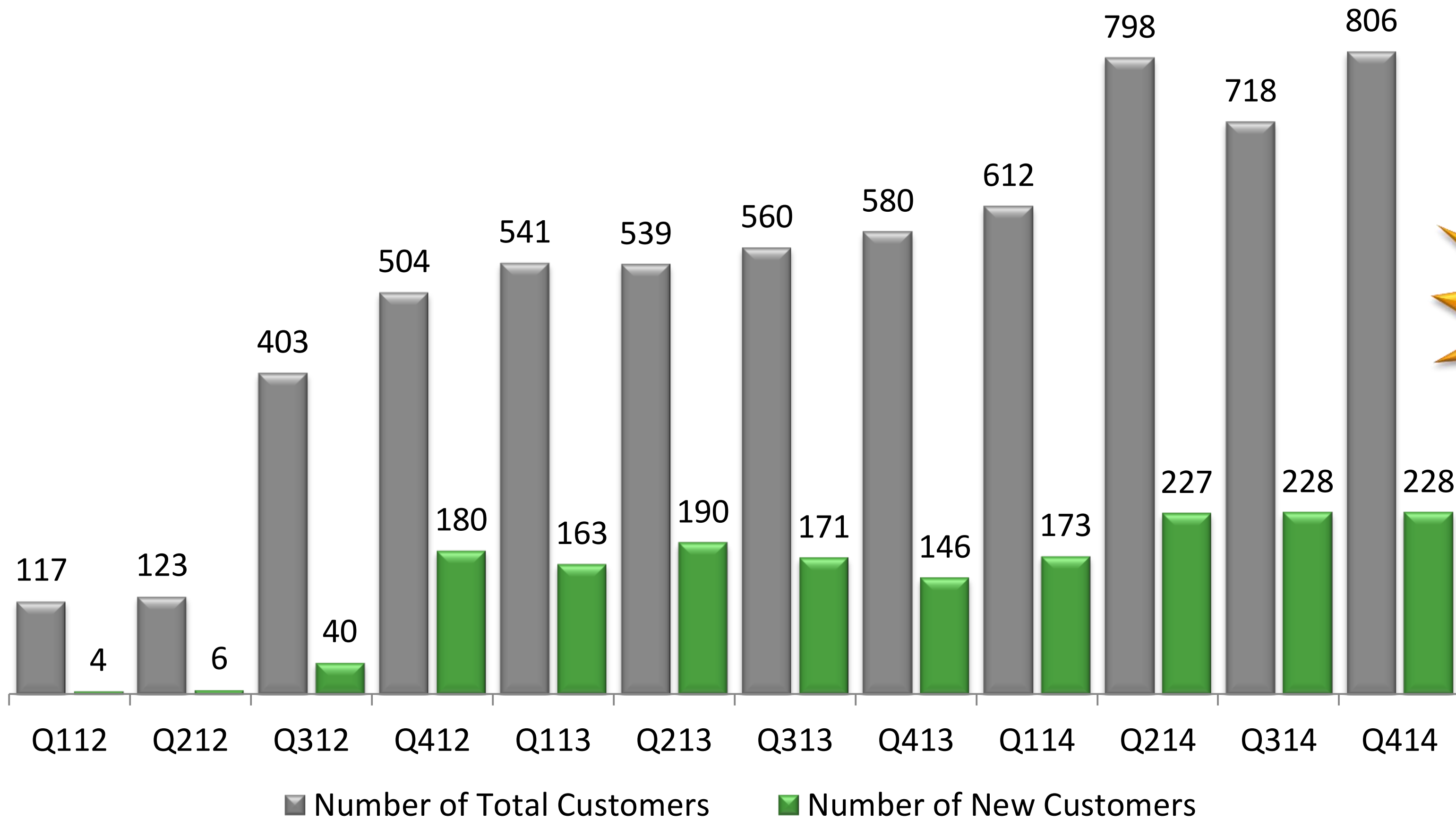
Strong Customer Growth



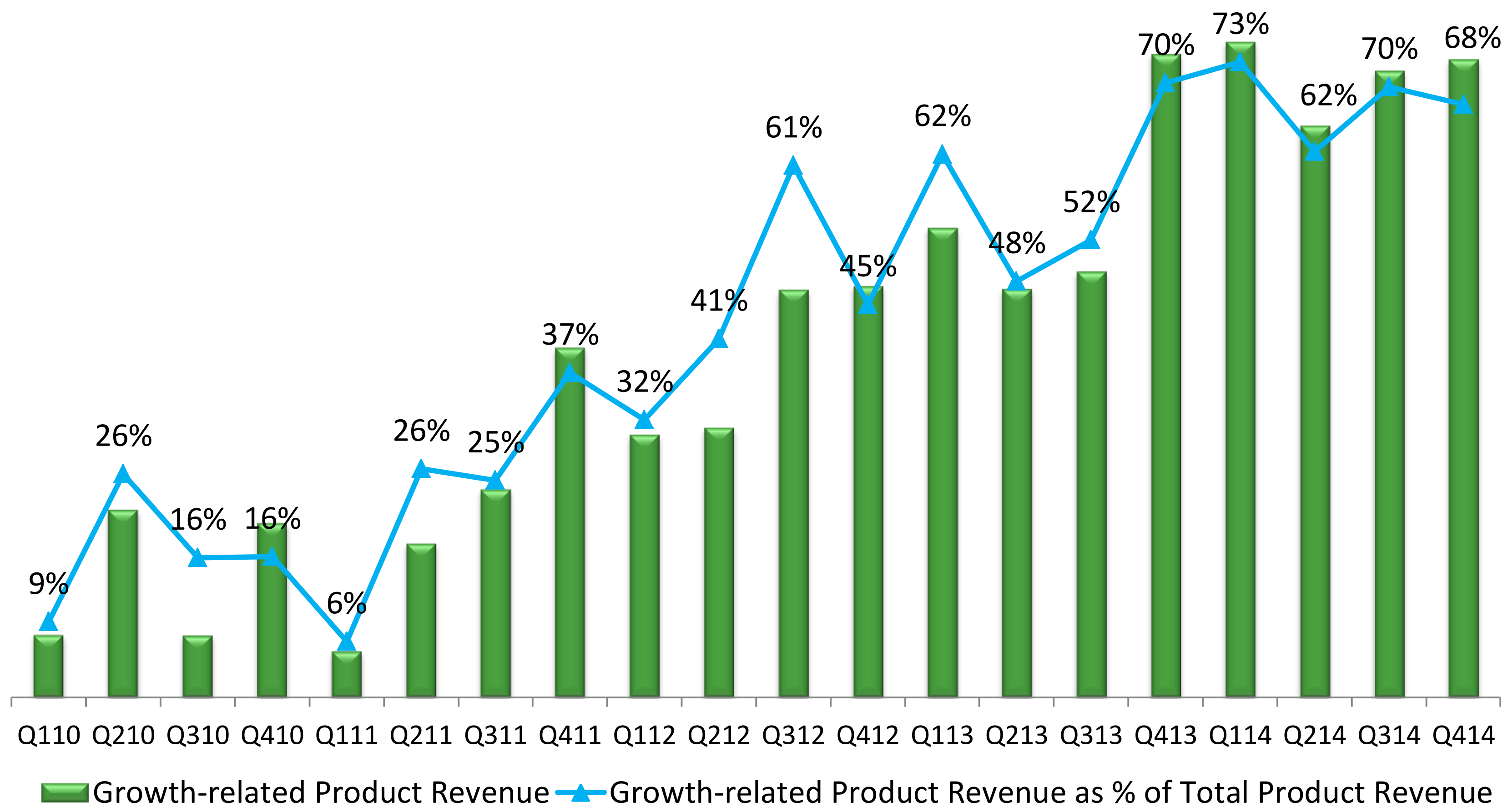
Q414 Total Customers up 39% vs. Q413

Q414 Record High

Q414 New Customers up 56% vs. Q413

Growth-related Product Revenue

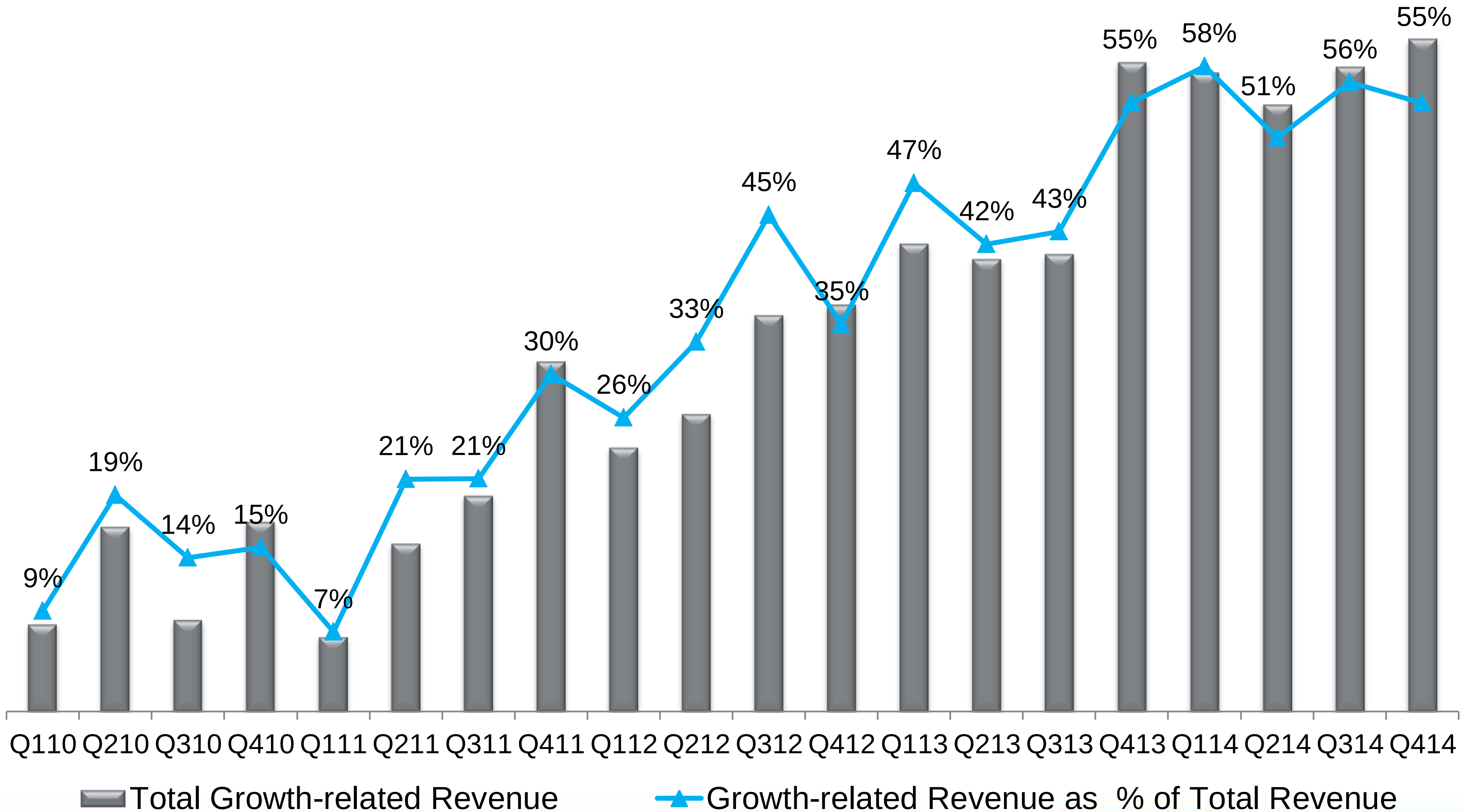
% of Total	FY2010	FY2011	FY2012	FY2013	FY2014
	17%	25%	44%	58%	68%



Note: 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.

Growth-related Total Revenue

% of Total	FY2010	FY2011	FY2012	FY2013	FY2014
	14%	20%	34%	47%	55%



Note: 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.

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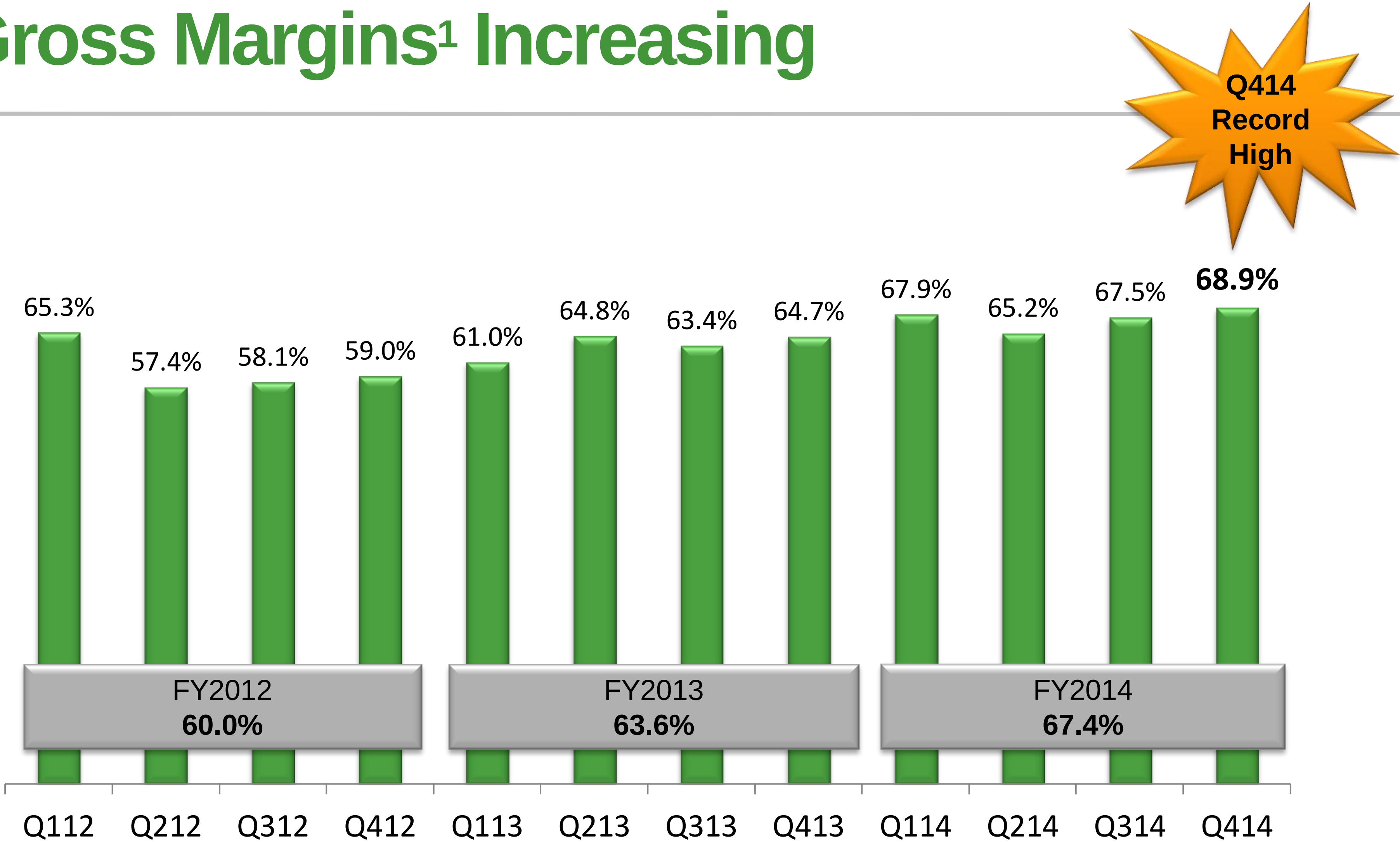
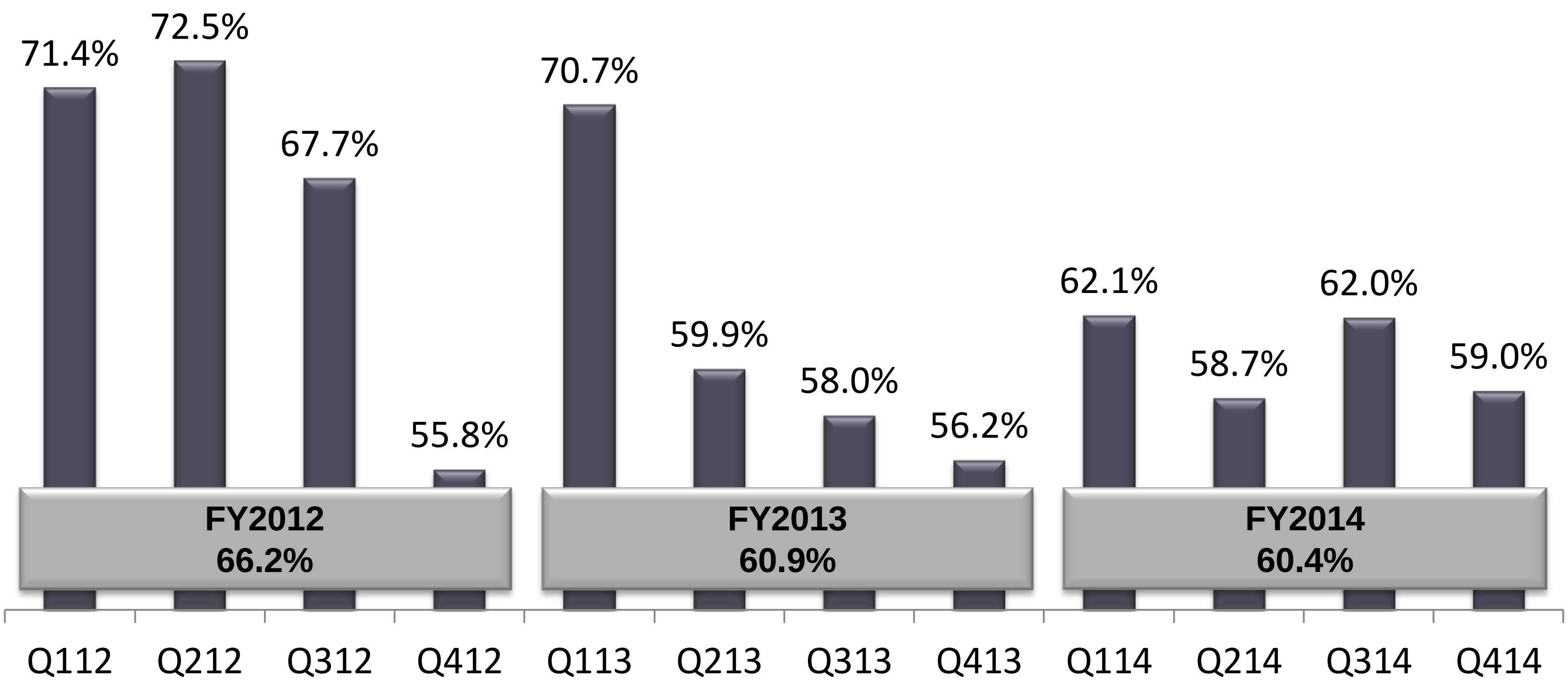
Gross Margins[1] Increasing



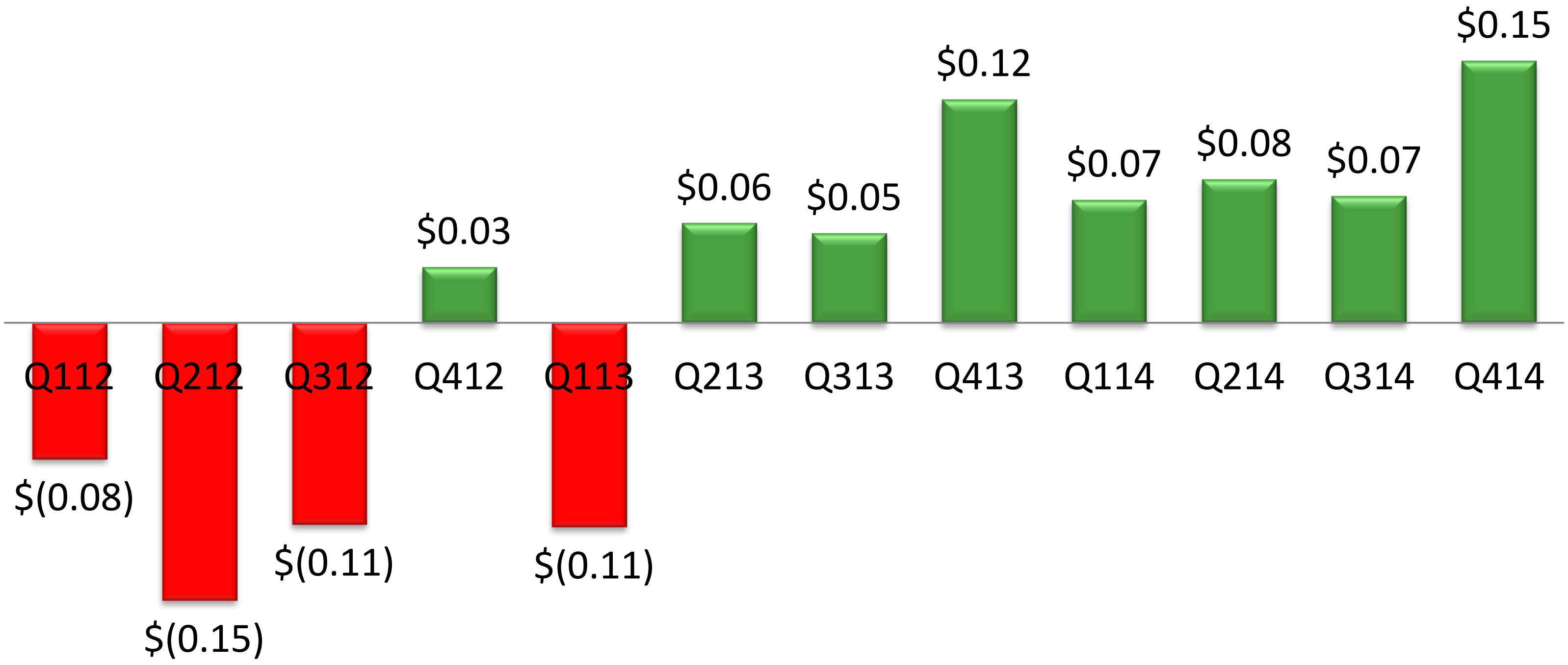
1) Non-GAAP financial measure.

Opex[1] Declining as % of Revenue



1) Non-GAAP financial measure.

Profitability[1] Increasing

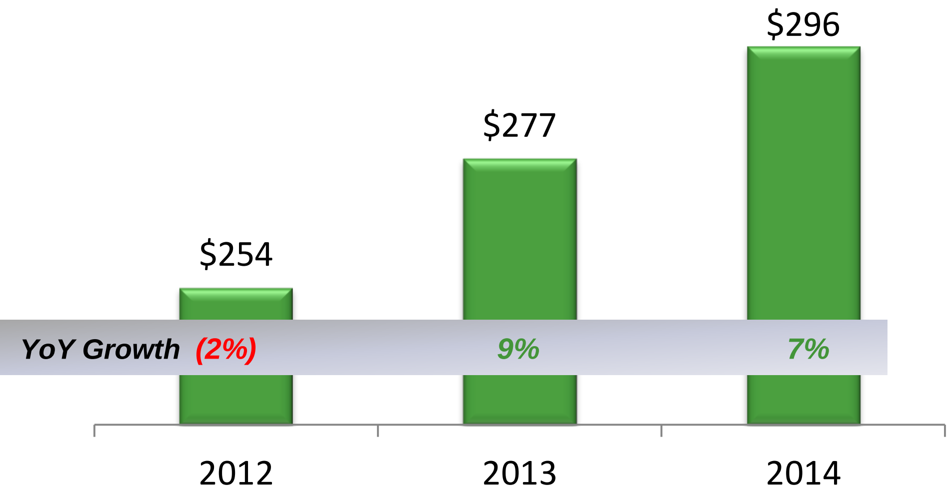


7th Consecutive Profitable Quarter

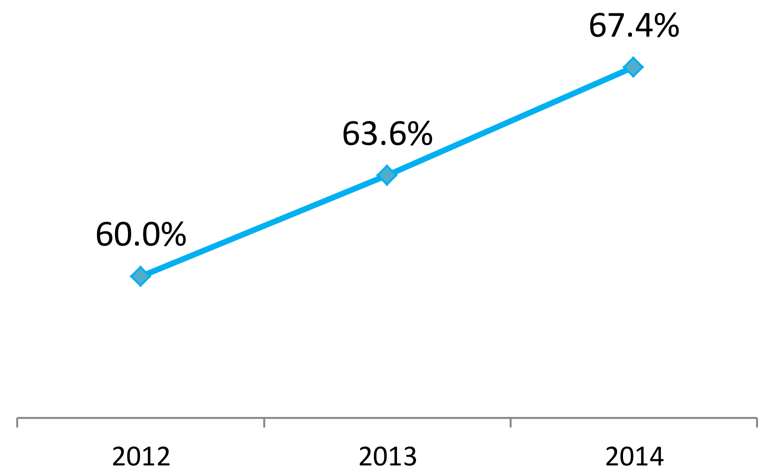
1) Non-GAAP financial measure; EPS on post-reverse split basis

Operating Leverage Increasing

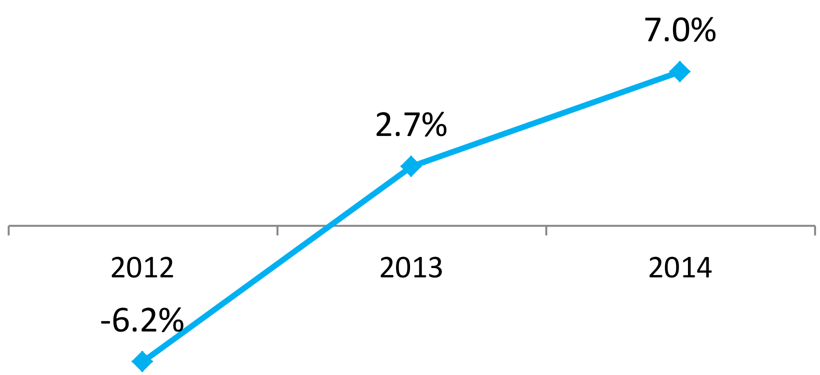
Revenue Growing ($M)



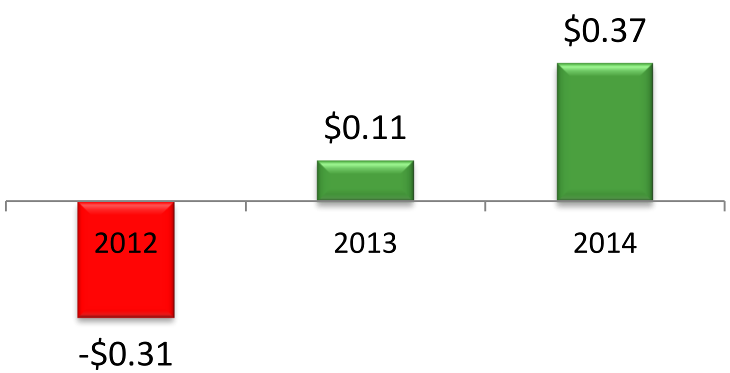
Gross Margins[1] Expanding



Operating Margins[1] Expanding



Earnings[1] Growing



1) Non-GAAP financial measures; EPS presented on post-reverse split basis.

Fourth Quarter 2014 Financial Results & Q115 and FY15 Guidance

Mark Greenquist, CFO

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Q414 Results vs. Guidance and Prior Year

	Q414 Actual	Q414 Guidance[2]	Q413 Actual	*YoY Change*
Total Company Revenue	**$76.8M**	$76M to $82M	$76.2M	*0.8%*
Product Revenue	**$46.6M**	Not provided	$45.8M	*1.6%*
Growth-related Revenue	**$42.5M**	$44M to $48M	$41.6M	*2.1%*
Gross Margin[1]	**68.9%**	65.5% to 66%	64.7%	*420 bps*
Opex[1]	**$45.3M**	$43M to $46M	$42.8M	*5.9%*
Operating Income Margin[1]	**9.9%**	Not provided	8.5%	*140 bps*
Net Income[1]	**$7.3M**	Not provided	$6.8M	*7.9%*
EPS[1]	**$0.15**	$0.15	$0.12	*25.0%*
Total Diluted Shares	**50.1M**	49.8M	54.7M	*(8.5)%*

1) Non-GAAP financial measures; percentages may not foot due to rounding; EPS presented on a post-reverse split basis.
2) Guidance as provided 10/23/14.

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Q115 and FY15 Guidance

	Q115 Guidance	FY15 Guidance
Total Company Revenue	$74M	$326M to $330M
Gross Margin[1]	67.0% to 67.5%	Not provided
Opex[1]	$47.5M to $48M	Not provided
EPS[1]	$0.03	$0.54 to $0.58
Total Diluted Shares	50.5M	51M

1) Non-GAAP financial measures.

2015 Revenue Assumptions

- **Drivers of revenue growth**
  - Full year of SBC 7K
  - Continued channel traction
  - Full year of signaling
  - Modest maintenance and services growth
  - Treq potential upside
- **Revenue seasonality**
  - Q4 strongest; Q2 second strongest
  - Q1 weakest; Q3 in between Q1 and Q2

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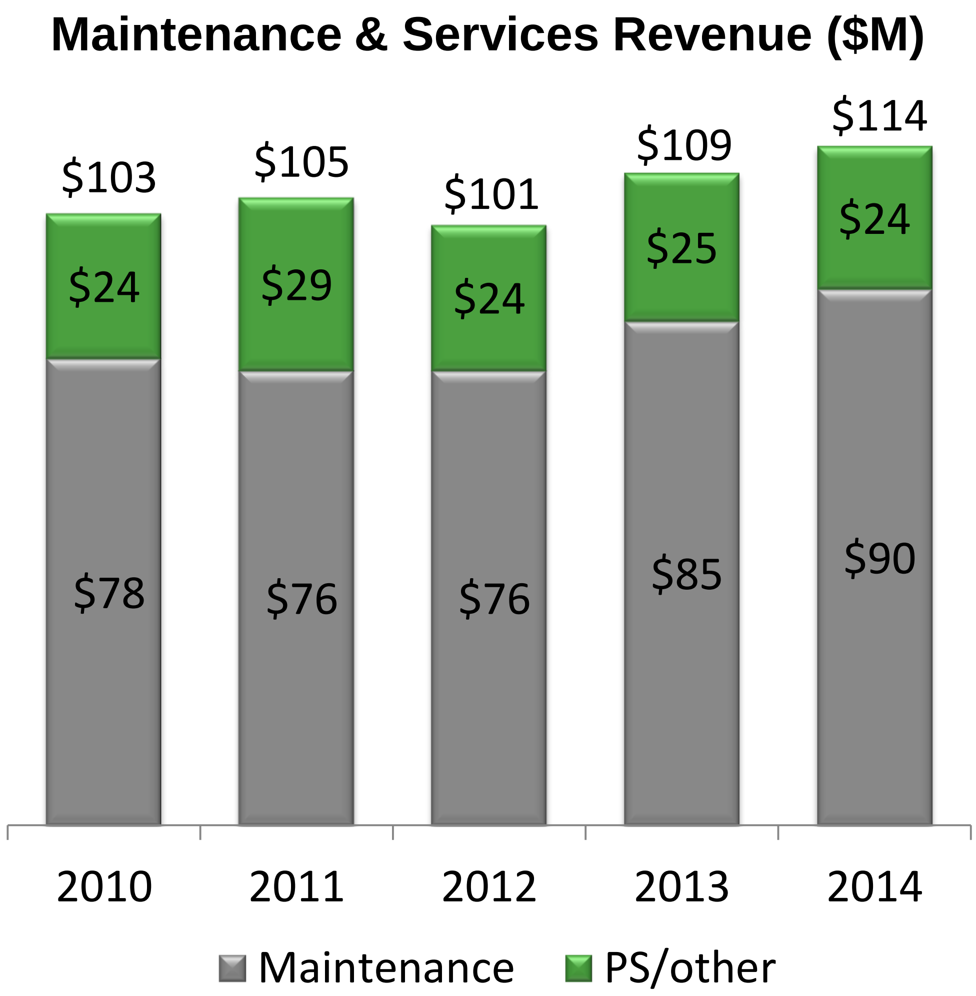
Maintenance and Services Revenue Trend



- Historical total maintenance and services revenue CAGR ~3%
- Expect similar growth in 2015

Continued Shareholder-Friendly Initiatives

- Generated $30M of Cash from Operations in FY14
  - ~$148M in Cash, cash equivalents and investments as of 12/31/14
- Ongoing Stock Repurchases
  - Repurchased 9M shares as of 12/31/14, ~16% of total shares outstanding since before buyback began
  - Avg. price per share ~$17.00
  - ~$23M remains available for future repurchases
- Responded to Shareholder Feedback
  - Eliminated shareholder rights plan (poison pill) in effect since 2008
  - Enhanced pay-for-performance practices
  - Instituted share ownership guidelines for directors and Section 16 officers
  - Adopted formal clawback policy with respect to executive incentive comp
  - Received shareholder approval of 1-for-5 reverse stock split and amendments to 2007 stock incentive plan

Ray Dolan, President & CEO

Focus Areas in 2015

1. **Operating Leverage**
   – Revenue growth
   – Gross Margin expansion
   – Opex discipline
   – Accelerating OI and OCF
2. **Strategic Industry Leadership**
   – Video
   – VoLTE
   – Virtualization and Cloud
   – Security

Q&A

Upcoming Investor Conferences:

2015 Wells Fargo Cyber Security Forum, Boston, 2/25
Northland Capital Markets Growth Conf., NYC, 3/18

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Non-GAAP to GAAP Reconciliations

Actuals - FY 2014 (Gross margin, Operating expense as a percentage of revenue and Earnings (loss) per share)

	Three months ended				Year ended
	28-Mar-14	27-Jun-14	26-Sep-14	31-Dec-14	31-Dec-14
GAAP Total gross margin	65.6%	62.6%	65.4%	67.4%	65.3%
Stock-based compensation expense % of revenue	0.5%	0.7%	0.7%	0.6%	0.6%
Amortization of intangible assets % of revenue	0.9%	0.9%	0.9%	0.9%	0.9%
Fair value write-up of acquired inventory	0.9%	1.0%	0.5%	0.0%	0.6%
Non-GAAP Total gross margin	67.9%	65.2%	67.5%	68.9%	67.4%
GAAP operating expense as a percentage of revenue	73.8%	68.9%	71.9%	70.0%	71.1%
Stock-based compensation expense	-7.6%	-8.5%	-8.3%	-5.7%	-7.6%
Amortization of intangible assets	-0.6%	-0.7%	-0.7%	-0.6%	-0.6%
Acquisition-related expense	-1.8%	0.0%	0.0%	-0.3%	-0.5%
Divestiture costs	0.0%	-0.5%	0.0%	0.0%	-0.1%
Restructuring	-1.7%	-0.5%	-0.9%	-4.4%	-1.9%
NON-GAAP operating expense as a percentage of revenue	62.1%	58.7%	62.0%	59.0%	60.4%
GAAP Net income (loss)	$ (3,953)	$ (5,497)	$ (5,213)	$ (2,192)	$ (16,855)
Stock-based compensation expense	5,774	6,938	6,501	4,701	23,914
Amortization of intangible assets	1,029	1,178	1,195	1,195	4,597
Fair value write-up of acquired inventory	615	803	364	-	1,782
Acquisition-related expense	1,306	-	-	252	1,558
Divestiture costs	-	405	30	-	435
Restructuring	1,169	391	673	3,392	5,625
Litigation settlement - prepaid licenses	(2,250)	-	-	-	(2,250)
Non-GAAP Net income (loss)	$ 3,690	$ 4,218	$ 3,550	$ 7,348	$ 18,806
Diluted earnings per share or (loss) per share					
GAAP	$ (0.07)	$ (0.11)	$ (0.11)	$ (0.04)	$ (0.34)
Non-GAAP	$ 0.07	$ 0.08	$ 0.07	$ 0.15	$ 0.37
Shares used to compute diluted earnings per share or (loss) per share					
GAAP shares used to compute loss per share	53,080	49,424	49,291	49,361	50,245
Non-GAAP shares used to compute diluted earnings per share	53,804	50,031	50,260	50,067	50,996

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Non-GAAP to GAAP Reconciliations (cont'd)

Actuals - FY 2013 (Gross margin, Operating expense as a percentage of revenue and Earnings (loss) per share)

	Three months ended 29-Mar-13	Three months ended 28-Jun-13	Three months ended 27-Sep-13	Three months ended 31-Dec-13	Year ended 31-Dec-13
GAAP Total gross margin	59.7%	63.6%	62.1%	63.5%	62.3%
Stock-based compensation expense % of revenue	0.4%	0.4%	0.5%	0.4%	0.4%
Amortization of intangible assets % of revenue	0.9%	0.8%	0.8%	0.8%	0.9%
Non-GAAP Total gross margin	61.0%	64.8%	63.4%	64.7%	63.6%
GAAP operating expense as percentage of revenue	81.0%	70.3%	66.3%	63.6%	69.9%
Stock-based compensation expense	-6.2%	-6.1%	-5.8%	-5.8%	-6.0%
Amortization of intangible assets	-1.0%	-0.9%	-0.8%	-0.7%	-0.8%
Impairment of intangible assets	0.0%	-0.9%	0.0%	0.0%	-0.2%
Acquisition-related expense	0.0%	0.0%	0.0%	-0.1%	0.0%
Restructuring	-3.1%	-2.5%	-1.7%	-0.8%	-2.0%
Non-GAAP operating expense as percentage of revenue	70.7%	59.9%	58.0%	56.2%	60.9%
GAAP Net income (loss)	$ (13,748)	$ (4,870)	$ (3,773)	$ 272	$ (22,119)
Stock-based compensation expense	4,224	4,540	4,373	4,736	17,873
Amortization of intangible assets	1,187	1,186	1,087	1,086	4,546
Impairment of intangible assets	-	600	-	-	600
Acquisition-related expense	-	-	-	93	93
Restructuring	1,949	1,698	1,140	624	5,411
Non-GAAP Net income (loss)	$ (6,388)	$ 3,154	$ 2,827	$ 6,811	$ 6,404
Diluted earnings per share or (loss) per share					
GAAP	$ (0.24)	$ (0.09)	$ (0.07)	$ 0.01	$ (0.40)
Non-GAAP	$ (0.11)	$ 0.06	$ 0.05	$ 0.12	$ 0.11
Shares used to compute diluted earnings per share or (loss) per share					
GAAP shares used to compute loss per share	56,308	56,478	55,855	54,188	55,686
Non-GAAP shares used to compute diluted earnings per share or (loss) per share	56,308	56,848	56,545	54,699	56,145

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Non-GAAP to GAAP Reconciliations (cont'd)

Actuals - FY 2012 (Gross margin, Operating expense as a percentage of revenue and Earnings (loss) per share)

	Three months ended				Year ended
	30-Mar-12	29-Jun-12	28-Sep-12	31-Dec-12	31-Dec-12
GAAP Total gross margin	64.9%	56.9%	56.9%	47.4%	56.1%
Stock-based compensation expense % of revenue	0.4%	0.5%	0.4%	0.3%	0.4%
Amortization of intangible assets % of revenue	0.0%	0.0%	0.8%	1.7%	0.7%
Write-off of prepaid royalties for software licenses % of revenue	0.0%	0.0%	0.0%	9.4%	2.7%
Depreciation expense - fair value write-up of acquired property and equipment	0.0%	0.0%	0.0%	0.2%	0.1%
Non-GAAP Total gross margin	65.3%	57.4%	58.1%	59.0%	60.0%
GAAP operating expense as percentage of revenue	74.5%	77.4%	82.8%	68.3%	75.2%
Stock-based compensation expense	-2.9%	-3.0%	-3.7%	-2.9%	-3.2%
Amortization of intangible assets	-0.2%	-0.2%	-0.5%	-0.8%	-0.4%
Depreciation expense - fair value write-up of acquired property and equipment	0.0%	0.0%	-0.2%	-0.6%	-0.2%
Acquisition-related expense	0.0%	-1.7%	-7.2%	-0.6%	-2.2%
Restructuring	0.0%	0.0%	-3.5%	-7.6%	-3.0%
Non-GAAP operating expense as percentage of revenue	71.4%	72.5%	67.7%	55.8%	66.2%
GAAP Net income (loss)	$ (6,438)	$ (11,725)	$ (15,619)	$ (16,387)	$ (50,169)
Stock-based compensation expense	2,117	2,023	2,400	2,463	9,003
Amortization of intangible assets	100	100	704	1,869	2,773
Write-off of prepaid royalties for software licenses	-	-	-	7,083	7,083
Depreciation expense - fair value write-up of acquired property and equipment	-	-	165	601	766
Acquisition-related expense	-	967	4,090	439	5,496
Restructuring	-	-	1,992	5,683	7,675
Non-GAAP Net income (loss)	$ (4,221)	$ (8,635)	$ (6,268)	$ 1,751	$ (17,373)
Diluted earnings per share or (loss) per share					
GAAP	$ (0.12)	$ (0.21)	$ (0.28)	$ (0.29)	$ (0.90)
Non-GAAP	$ (0.08)	$ (0.15)	$ (0.11)	$ 0.03	$ (0.31)
Shares used to compute diluted earnings per share or (loss) per share					
GAAP shares used to compute loss per share	55,897	55,985	56,029	56,154	56,018
Non-GAAP shares used to compute diluted earnings per share or (loss) per share	55,897	55,985	56,029	56,247	56,018

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Non-GAAP to GAAP Reconciliations (cont'd)

Actuals - Operating expense and Income (loss) from operations (Q4 2014 and Q4 2013)

	Three months ended	
	31-Dec-14	31-Dec-13
GAAP Operating expenses	$ 53,737	$ 48,445
Stock-based compensation expense	(4,274)	(4,394)
Amortization of intangible assets	(492)	(526)
Acquisition-related expense	(252)	(93)
Restructuring	(3,392)	(624)
Non-GAAP Operating expenses	$ 45,327	$ 42,808
GAAP loss from operations	$ (1,945)	$ (59)
Stock-based compensation expense	4,701	4,736
Amortization of intangible assets	1,195	1,086
Acquisition-related expense	252	93
Restructuring	3,392	624
Non-GAAP Income from operations	$ 7,595	$ 6,480

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Non-GAAP to GAAP Reconciliations (cont'd)

Actuals - Income (loss) from operations as a % of revenue

	Year ended		
	31-Dec-14	31-Dec-13	31-Dec-12
GAAP loss from operations as a percentage of revenue	-5.8%	-7.6%	-19.1%
Fair value write-up of acquired inventory	0.6%	0.0%	0.0%
Stock-based compensation expense	8.1%	6.5%	3.5%
Amortization of intangible assets	1.6%	1.6%	1.1%
Impairment of intangible assets	0.0%	0.2%	0.0%
Write-off of prepaid royalties for software licenses	0.0%	0.0%	2.8%
Fair value write-up of acquired property and equipment	0.0%	0.0%	0.3%
Acquisition-related expense	0.5%	*	2.2%
Divestiture costs	0.1%	0.0%	0.0%
Restructuring	1.9%	2.0%	3.0%
Non-GAAP income (loss) from operations as a percentage of revenue (operating income margin)	7.0%	2.7%	-6.2%

* Less than 0.1%

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 - Three months ended March 27, 2015
As published February 18, 2015

	Three months ended 27-Mar-15 Range	
Revenue	$ 74	$ 74
Gross margin		
GAAP outlook	65.4%	65.9%
Stock-based compensation expense	0.7%	0.7%
Amortization of intangible assets	0.9%	0.9%
Non-GAAP outlook	67.0%	67.5%
Operating expenses		
GAAP outlook	$ 55.1	$ 55.6
Stock-based compensation expense	(6.3)	(6.3)
Amortization of intangible assets	(0.3)	(0.3)
Restructuring	(1.0)	(1.0)
Non-GAAP outlook	$ 47.5	$ 48.0
Income (loss) per share		
GAAP outlook	$ (0.14)	$ (0.14)
Stock-based compensation expense	0.13	0.13
Amortization of intangible assets	0.02	0.02
Restructuring	0.02	0.02
Non-GAAP outlook	$ 0.03	$ 0.03

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, depreciation expense related to the fair value write-up of acquired property and equipment, 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 operating expense as a percentage of revenue, non-GAAP income (loss) from operations as a percentage of revenue and 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.