

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

Notes	Three months ended			Six months ended	
	June 30, 2009	March 31, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenue					
Product	\$ 36,320	\$ 19,403	\$ 62,329	\$ 55,723	\$ 113,035
Service	25,287	21,609	25,461	46,896	48,382
Total revenue	<u>\$ 61,607</u>	<u>\$ 41,012</u>	<u>\$ 87,790</u>	<u>\$ 102,619</u>	<u>\$ 161,417</u>
Gross profit					
Product	\$ 25,573	\$ 13,269	\$ 43,992	\$ 38,842	\$ 78,035
Service	14,719	9,946	14,156	24,665	25,987
Total gross profit	<u>\$ 40,292</u>	<u>\$ 23,215</u>	<u>\$ 58,148</u>	<u>\$ 63,507</u>	<u>\$ 104,022</u>
GAAP Gross margin - product	70.4%	68.4%	70.6%	69.7%	69.0%
Stock-based compensation expense	A 0.4%	0.6%	0.3%	0.4%	0.3%
Amortization of intangible assets	B 0.1%	0.5%	0.4%	0.3%	0.3%
Change in estimate - reduction of contingency for employment tax audit	C 0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP Gross margin - product	<u>70.9%</u>	<u>69.5%</u>	<u>71.3%</u>	<u>70.4%</u>	<u>69.6%</u>
GAAP Gross margin - service	58.2%	46.0%	55.6%	52.6%	53.7%
Stock-based compensation expense	A 1.5%	2.2%	2.0%	1.8%	3.6%
Non-GAAP Gross margin - service	<u>59.7%</u>	<u>48.2%</u>	<u>57.6%</u>	<u>54.4%</u>	<u>57.3%</u>
GAAP Total gross profit	\$ 40,292	\$ 23,215	\$ 58,148	\$ 63,507	\$ 104,022
Stock-based compensation expense	A 502	581	691	1,083	2,100
Amortization of intangible assets	B 48	96	261	144	310
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	(7)
Non-GAAP Total gross profit	<u>\$ 40,842</u>	<u>\$ 23,892</u>	<u>\$ 59,100</u>	<u>\$ 64,734</u>	<u>\$ 106,425</u>
GAAP Total gross margin	65.4%	56.6%	66.2%	61.9%	64.4%
Stock-based compensation expense % of revenue	A 0.8%	1.5%	0.8%	1.1%	1.3%
Amortization of intangible assets % of revenue	B 0.1%	0.2%	0.3%	0.1%	0.2%
Change in estimate - reduction of contingency for employment tax audit % of revenue	C 0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP Total gross margin	<u>66.3%</u>	<u>58.3%</u>	<u>67.3%</u>	<u>63.1%</u>	<u>65.9%</u>
GAAP Research and development expense	\$ 15,501	\$ 16,353	\$ 18,379	\$ 31,854	\$ 38,861
Stock-based compensation expense	A (1,102)	(767)	(1,517)	(1,869)	(5,335)
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	51
Non-GAAP Research and development expense	<u>\$ 14,399</u>	<u>\$ 15,586</u>	<u>\$ 16,862</u>	<u>\$ 29,985</u>	<u>\$ 33,577</u>
GAAP Sales and marketing expense	\$ 12,344	\$ 12,147	\$ 19,234	\$ 24,491	\$ 37,892
Stock-based compensation expense	A (1,490)	(1,044)	(1,152)	(2,534)	(3,181)
Amortization of intangible assets	B -	-	(62)	-	(62)
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	96
Non-GAAP Sales and marketing expense	<u>\$ 10,854</u>	<u>\$ 11,103</u>	<u>\$ 18,020</u>	<u>\$ 21,957</u>	<u>\$ 34,745</u>
GAAP General and administrative expense	\$ 10,186	\$ 10,495	\$ 13,035	\$ 20,681	\$ 23,029
Stock-based compensation expense	A (616)	(648)	(1,986)	(1,264)	(3,332)
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	387
Non-GAAP General and administrative expense	<u>\$ 9,570</u>	<u>\$ 9,847</u>	<u>\$ 11,049</u>	<u>\$ 19,417</u>	<u>\$ 20,084</u>
GAAP Restructuring	\$ (7)	\$ 1,984	\$ -	\$ 1,977	\$ -
Restructuring	F 7	(1,984)	-	(1,977)	-
Non-GAAP Restructuring	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Operating expenses	\$ 38,024	\$ 40,979	\$ 50,648	\$ 79,003	\$ 99,782
Stock-based compensation expense	A (3,208)	(2,459)	(4,655)	(5,667)	(11,848)
Amortization of intangible assets	B -	-	(62)	-	(62)
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	534
Restructuring	D 7	(1,984)	-	(1,977)	-
Non-GAAP Operating expenses	<u>\$ 34,823</u>	<u>\$ 36,536</u>	<u>\$ 45,931</u>	<u>\$ 71,359</u>	<u>\$ 88,406</u>
GAAP Income (loss) from operations	\$ 2,268	\$ (17,764)	\$ 7,500	\$ (15,496)	\$ 4,240
Stock-based compensation expense	A 3,710	3,040	5,346	6,750	13,948
Amortization of intangible assets	B 48	96	323	144	372
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	(541)
Restructuring	D (7)	1,984	-	1,977	-
Non-GAAP Income (loss) from operations	<u>\$ 6,019</u>	<u>\$ (12,644)</u>	<u>\$ 13,169</u>	<u>\$ (6,625)</u>	<u>\$ 18,019</u>
GAAP Other income (expense)	\$ 19	\$ (7)	\$ 6	\$ 12	\$ 385
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	(379)
Non-GAAP Other income (expense)	<u>\$ 19</u>	<u>\$ (7)</u>	<u>\$ 6</u>	<u>\$ 12</u>	<u>\$ 6</u>
GAAP Loss from discontinued operations, net of tax	\$ -	\$ -	\$ (3,349)	\$ -	\$ (3,745)
Loss from discontinued operations, net of tax	E -	-	3,349	-	3,745
Non-GAAP Loss from discontinued operations, net of tax	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Net income (loss)	\$ 4,383	\$ (16,227)	\$ (36)	\$ (11,844)	\$ 296
Stock-based compensation expense	A 3,710	3,040	5,346	6,750	13,948
Amortization of intangible assets	B 48	96	323	144	372
Change in estimate - reduction of contingency for employment tax audit	C -	-	-	-	(920)
Restructuring	D (7)	1,984	-	1,977	-
Income tax effect of non-GAAP adjustments - benefit (provision)	F -	-	(2,838)	-	(5,871)
Loss from discontinued operations, net of tax	E -	-	3,349	-	3,745
Non-GAAP Net income (loss)	<u>\$ 8,134</u>	<u>\$ (11,107)</u>	<u>\$ 6,144</u>	<u>\$ (2,973)</u>	<u>\$ 11,570</u>
Net income (loss) per share - diluted					
GAAP	\$ 0.02	\$ (0.06)	\$ -	\$ (0.04)	\$ -
Non-GAAP	\$ 0.03	\$ (0.04)	\$ 0.02	\$ (0.01)	\$ 0.04
Shares used in computing net income (loss) per share					
GAAP Shares used to compute diluted net income or net loss per share	273,768	273,095	273,710	273,320	272,422
Non-GAAP Shares used to compute diluted net income or net loss per share	273,768	273,095	273,710	273,320	272,422

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-Jun-08 (Q2 2008)	30-Sep-08 (Q3 2008)	31-Dec-08 (Q4 2008)	31-Mar-09 (Q1 2009)	30-Jun-09 (Q2 2009)
GAAP Gross profit		\$ 58,148	\$ 39,017	\$ 39,812	\$ 23,215	\$ 40,292
Stock-based compensation expense	A	691	749	616	581	502
Amortization of intangible assets	B	261	263	279	96	48
Change in estimate - reduction of contingency for employment tax audit	C	-	-	(1)	-	-
Non-GAAP Gross profit		\$ 59,100	\$ 40,029	\$ 40,706	\$ 23,892	\$ 40,842
GAAP Research and development expense		\$ 18,379	\$ 18,240	\$ 15,997	\$ 16,353	\$ 15,501
Stock-based compensation expense	A	(1,517)	(1,373)	(1,213)	(767)	(1,102)
Change in estimate - reduction of contingency for employment tax audit	C	-	-	1	-	-
Non-GAAP Research and development expense		\$ 16,862	\$ 16,867	\$ 14,785	\$ 15,586	\$ 14,399
Non-GAAP Gross Profit to R&D Spend Ratio - Trailing 12 Months	G					
<i>Twelve Months (Four Quarters) Ended June 30, 2009</i>						
Non-GAAP Gross profit	\$	145,469	(a)			
Non-GAAP Research and development expense	\$	61,637	(b)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (a)/(b)</i>	\$	2.4				
<i>Twelve Months (Four Quarters) Ended March 31, 2009</i>						
Non-GAAP Gross profit	\$	163,727	(c)			
Non-GAAP Research and development expense	\$	64,100	(d)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (c)/(d)</i>	\$	2.6				