

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, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Revenue						
Product		\$ 54,118	\$ 19,391	\$ 47,009	\$ 146,583	\$ 136,276
Service		28,861	23,348	21,703	102,724	91,220
Total revenue		<u>\$ 82,979</u>	<u>\$ 42,739</u>	<u>\$ 68,712</u>	<u>\$ 249,307</u>	<u>\$ 227,496</u>
Gross profit						
Product		\$ 36,313	\$ 12,160	\$ 35,157	\$ 98,420	\$ 97,383
Service		16,370	11,618	10,222	54,732	46,753
Total gross profit		<u>\$ 52,683</u>	<u>\$ 23,778</u>	<u>\$ 45,379</u>	<u>\$ 153,152</u>	<u>\$ 144,136</u>
GAAP Gross margin - product		67.1%	62.7%	74.8%	67.1%	71.5%
Stock-based compensation expense	A	0.2%	0.5%	0.1%	0.3%	0.2%
Amortization of intangible assets	B	0.4%	0.2%	0.1%	0.2%	0.2%
Non-GAAP Gross margin - product		<u>67.7%</u>	<u>63.4%</u>	<u>75.0%</u>	<u>67.6%</u>	<u>71.9%</u>
GAAP Gross margin - service		56.7%	49.8%	47.1%	53.3%	51.3%
Stock-based compensation expense	A	1.4%	1.7%	2.1%	1.6%	1.9%
Non-GAAP Gross margin - service		<u>58.1%</u>	<u>51.5%</u>	<u>49.2%</u>	<u>54.9%</u>	<u>53.2%</u>
GAAP Total gross profit		\$ 52,683	\$ 23,778	\$ 45,379	\$ 153,152	\$ 144,136
Stock-based compensation expense	A	505	501	512	1,989	2,145
Amortization of intangible assets	B	228	37	48	341	232
Non-GAAP Total gross profit		<u>\$ 53,416</u>	<u>\$ 24,316</u>	<u>\$ 45,939</u>	<u>\$ 155,482</u>	<u>\$ 146,513</u>
GAAP Total gross margin		63.5%	55.6%	66.0%	61.4%	63.4%
Stock-based compensation expense % of revenue	A	0.6%	1.2%	0.8%	0.9%	0.9%
Amortization of intangible assets % of revenue	B	0.3%	0.1%	0.1%	0.1%	0.1%
Non-GAAP Total gross margin		<u>64.4%</u>	<u>56.9%</u>	<u>66.9%</u>	<u>62.4%</u>	<u>64.4%</u>
GAAP Research and development expense		\$ 16,514	\$ 16,226	\$ 13,869	\$ 62,786	\$ 59,864
Stock-based compensation expense	A	(626)	(617)	(706)	(2,514)	(3,349)
Amortization of intangible assets	B	(100)	(100)	-	(400)	-
Non-GAAP Research and development expense		<u>\$ 15,788</u>	<u>\$ 15,509</u>	<u>\$ 13,163</u>	<u>\$ 59,872</u>	<u>\$ 56,515</u>
GAAP Sales and marketing expense		\$ 13,211	\$ 11,836	\$ 12,911	\$ 51,033	\$ 48,929
Stock-based compensation expense	A	(597)	(647)	(812)	(2,661)	(4,231)
Non-GAAP Sales and marketing expense		<u>\$ 12,614</u>	<u>\$ 11,189</u>	<u>\$ 12,099</u>	<u>\$ 48,372</u>	<u>\$ 44,698</u>

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	Notes	Three months ended			Year ended	
		December 31, 2010	September 30, 2010	December 31, 2009	December 31, 2010	December 31, 2009
GAAP General and administrative expense		\$ 11,119	\$ 17,157	\$ 10,958	\$ 49,391	\$ 43,217
Stock-based compensation expense	A	(1,147)	(4,947)	(891)	(8,121)	(3,085)
Non-GAAP General and administrative expense		<u>\$ 9,972</u>	<u>\$ 12,210</u>	<u>\$ 10,067</u>	<u>\$ 41,270</u>	<u>\$ 40,132</u>
GAAP Restructuring		\$ 387	\$ 1,114	\$ -	\$ 1,501	\$ 3,510
Restructuring	C	(387)	(1,114)	-	(1,501)	(3,510)
Non-GAAP Restructuring		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Operating expenses		\$ 41,231	\$ 46,333	\$ 37,738	\$ 164,711	\$ 155,520
Stock-based compensation expense	A	(2,370)	(6,211)	(2,409)	(13,296)	(10,665)
Amortization of intangible assets	B	(100)	(100)	-	(400)	-
Restructuring	C	(387)	(1,114)	-	(1,501)	(3,510)
Non-GAAP Operating expenses		<u>\$ 38,374</u>	<u>\$ 38,908</u>	<u>\$ 35,329</u>	<u>\$ 149,514</u>	<u>\$ 141,345</u>
GAAP Income (loss) from operations		\$ 11,452	\$ (22,555)	\$ 7,641	\$ (11,559)	\$ (11,384)
Stock-based compensation expense	A	2,875	6,712	2,921	15,285	12,810
Amortization of intangible assets	B	328	137	48	741	232
Restructuring	C	387	1,114	-	1,501	3,510
Non-GAAP Income (loss) from operations		<u>\$ 15,042</u>	<u>\$ (14,592)</u>	<u>\$ 10,610</u>	<u>\$ 5,968</u>	<u>\$ 5,168</u>
GAAP Net income (loss)		\$ 11,410	\$ (22,278)	\$ 10,309	\$ (10,691)	\$ (4,932)
Stock-based compensation expense	A	2,875	6,712	2,921	15,285	12,810
Amortization of intangible assets	B	328	137	48	741	232
Restructuring	C	387	1,114	-	1,501	3,510
Non-GAAP Net income		<u>\$ 15,000</u>	<u>\$ (14,315)</u>	<u>\$ 13,278</u>	<u>\$ 6,836</u>	<u>\$ 11,620</u>
Net income (loss) per share - diluted						
GAAP		\$ 0.04	\$ (0.08)	\$ 0.04	\$ (0.04)	\$ (0.02)
Non-GAAP		\$ 0.05	\$ (0.05)	\$ 0.05	\$ 0.02	\$ 0.04
Shares used in computing diluted net income (loss) per share						
GAAP Shares used to compute diluted net income or net loss per share		278,096	275,412	275,152	275,470	273,730
Non-GAAP Shares used to compute diluted net income or net loss per share		278,096	275,412	275,152	277,126	274,022