

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, 2011	March 31, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Revenue					
Product	\$ 29,446	\$ 35,953	\$ 36,796	\$ 65,399	\$ 73,074
Service	22,326	31,346	24,385	53,672	50,515
Total revenue	<u>\$ 51,772</u>	<u>\$ 67,299</u>	<u>\$ 61,181</u>	<u>\$ 119,071</u>	<u>\$ 123,589</u>
Gross profit					
Product	\$ 19,828	\$ 12,792	\$ 25,970	\$ 32,620	\$ 49,947
Service	10,108	13,833	12,543	23,941	26,744
Total gross profit	<u>\$ 29,936</u>	<u>\$ 26,625</u>	<u>\$ 38,513</u>	<u>\$ 56,561</u>	<u>\$ 76,691</u>
GAAP Gross margin - product					
	67.3%	35.6%	70.6%	49.9%	68.4%
Stock-based compensation expense	A 0.4%	0.3%	0.2%	0.3%	0.2%
Amortization of intangible assets	B 0.0%	0.0%	0.1%	0.0%	0.1%
Non-GAAP Gross margin - product	<u>67.7%</u>	<u>35.9%</u>	<u>70.9%</u>	<u>50.2%</u>	<u>68.7%</u>
GAAP Gross margin - service					
	45.3%	44.1%	51.4%	44.6%	52.9%
Stock-based compensation expense	A 1.7%	1.3%	1.7%	1.4%	1.7%
Non-GAAP Gross margin - service	<u>47.0%</u>	<u>45.4%</u>	<u>53.1%</u>	<u>46.0%</u>	<u>54.6%</u>
GAAP Total gross profit					
	\$ 29,936	\$ 26,625	\$ 38,513	\$ 56,561	\$ 76,691
Stock-based compensation expense	A 498	493	493	991	983
Amortization of intangible assets	B -	-	38	-	76
Non-GAAP Total gross profit	<u>\$ 30,434</u>	<u>\$ 27,118</u>	<u>\$ 39,044</u>	<u>\$ 57,552</u>	<u>\$ 77,750</u>
GAAP Total gross margin					
	57.8%	39.6%	62.9%	47.5%	62.1%
Stock-based compensation expense % of revenue	A 1.0%	0.7%	0.8%	0.8%	0.7%
Amortization of intangible assets % of revenue	B 0.0%	0.0%	0.1%	0.0%	0.1%
Non-GAAP Total gross margin	<u>58.8%</u>	<u>40.3%</u>	<u>63.8%</u>	<u>48.3%</u>	<u>62.9%</u>
GAAP Research and development expense					
	\$ 15,187	\$ 15,608	\$ 15,106	\$ 30,795	\$ 30,046
Stock-based compensation expense	A (527)	(533)	(665)	(1,060)	(1,271)
Amortization of intangible assets	B (100)	(100)	(100)	(200)	(200)
Non-GAAP Research and development expense	<u>\$ 14,560</u>	<u>\$ 14,975</u>	<u>\$ 14,341</u>	<u>\$ 29,535</u>	<u>\$ 28,575</u>
GAAP Sales and marketing expense					
	\$ 13,298	\$ 14,297	\$ 12,392	\$ 27,595	\$ 25,986
Stock-based compensation expense	A (563)	(497)	(688)	(1,060)	(1,417)
Non-GAAP Sales and marketing expense	<u>\$ 12,735</u>	<u>\$ 13,800</u>	<u>\$ 11,704</u>	<u>\$ 26,535</u>	<u>\$ 24,569</u>
GAAP General and administrative expense					
	\$ 8,197	\$ 8,196	\$ 10,971	\$ 16,393	\$ 21,115
Stock-based compensation expense	A (627)	(503)	(1,366)	(1,130)	(2,027)
Non-GAAP General and administrative expense	<u>\$ 7,570</u>	<u>\$ 7,693</u>	<u>\$ 9,605</u>	<u>\$ 15,263</u>	<u>\$ 19,088</u>
GAAP Operating expenses					
	\$ 36,682	\$ 38,101	\$ 38,469	\$ 74,783	\$ 77,147
Stock-based compensation expense	A (1,717)	(1,533)	(2,719)	(3,250)	(4,715)
Amortization of intangible assets	B (100)	(100)	(100)	(200)	(200)
Non-GAAP Operating expenses	<u>\$ 34,865</u>	<u>\$ 36,468</u>	<u>\$ 35,650</u>	<u>\$ 71,333</u>	<u>\$ 72,232</u>
GAAP Income (loss) from operations					
	\$ (6,746)	\$ (11,476)	\$ 44	\$ (18,222)	\$ (456)
Stock-based compensation expense	A 2,215	2,026	3,212	4,241	5,698
Amortization of intangible assets	B 100	100	138	200	276
Non-GAAP Income (loss) from operations	<u>\$ (4,431)</u>	<u>\$ (9,350)</u>	<u>\$ 3,394</u>	<u>\$ (13,781)</u>	<u>\$ 5,518</u>
GAAP Net income (loss)					
	\$ (5,934)	\$ (12,408)	\$ 311	\$ (18,342)	\$ 177
Stock-based compensation expense	A 2,215	2,026	3,212	4,241	5,698
Amortization of intangible assets	B 100	100	138	200	276
Non-GAAP Net income (loss)	<u>\$ (3,619)</u>	<u>\$ (10,282)</u>	<u>\$ 3,661</u>	<u>\$ (13,901)</u>	<u>\$ 6,151</u>
Net earnings (loss) per share - diluted					
GAAP	\$ (0.02)	\$ (0.04)	\$ -	\$ (0.07)	\$ -
Non-GAAP	\$ (0.01)	\$ (0.04)	\$ 0.01	\$ (0.05)	\$ 0.02
Shares used in computing diluted net earnings (loss) per share					
GAAP Shares used to compute diluted net earnings or net loss per share	278,400	277,712	276,314	278,080	276,038
Non-GAAP Shares used to compute diluted net earnings or net loss per share	278,400	277,712	276,314	278,080	276,038