

ribbon[™]
communications

Second Quarter 2018 Financial Results

July 31, 2018

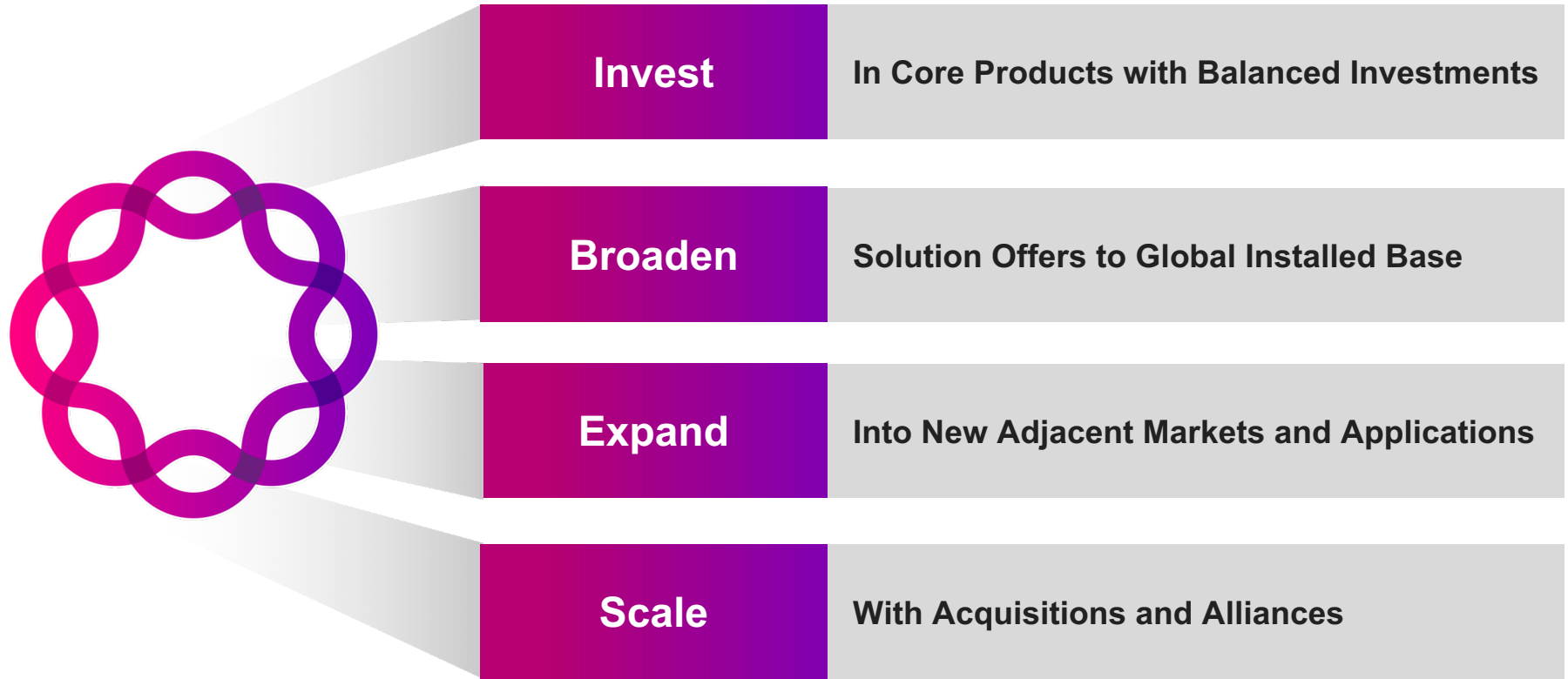
Cautionary Note Regarding Forward-Looking Statements

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 regarding our financial guidance and outlook for fiscal year 2018, integration efforts and opportunities, business strategy, strategic position, plans and objectives of management for future operations and plans for future product development and manufacturing 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. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, our success integrating the respective businesses of Sonus Networks, Inc. (“Sonus”) and GENBAND Holdings Company (“GENBAND”); achievement of the anticipated synergies of the transaction between Sonus and GENBAND (the “Transaction”); our ability to realize the benefits from the Transaction; the effects of disruption from the Transaction, making it more difficult to maintain relationships with employees, customers, business partners or government entities; ability to successfully complete pending acquisitions; the timing of customer purchasing decisions and 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 and cost-containment activities; 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; changes in the market price of our common stock; and/or failure or circumvention of our controls and procedures.

Our forward-looking statements involve known and unknown risks, uncertainties and other important 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 caution you against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from these forward-looking statements are discussed in Part I, Item 1A “Risk Factors” and Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk” in Ribbon Communications’ most recent Annual Report on Form 10-K filed with the SEC and Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Ribbon Communications’ most recent Quarterly Report on Form 10-Q filed with the SEC. 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.

Strategy



Ribbon Non-GAAP¹ Statements of Operations²

USD Millions except percentages and EPS	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118	Q218
Product Revenue	35	35	39	38	146	25	29	44	86	184	60	67
Service Revenue	24	26	26	30	106	28	27	31	83	169	76	77
Total Non-GAAP Revenue	59	61	65	68	253	53	56	75	169	353	135	145
Gross Margin	40	42	45	47	175	36	38	56	104	235	77	92
Gross Margin %	68%	69%	70%	70%	69%	67%	69%	76%	61%	66%	57%	63%
Operating Expense	38	38	39	42	157	40	39	43	80	202	79	75
Income/(Loss) from Operations	2	4	6	5	18	(5)	(1)	13	25	32	(2)	17
Net Income/(Loss)	2	4	6	5	17	(4)	(1)	13	23	31	(4)	14
Diluted EPS	\$0.03	\$0.08	\$0.12	\$0.09	\$0.33	(\$0.09)	(\$0.02)	\$0.26	\$0.27	\$0.51	(\$0.04)	\$0.14
Diluted Shares	50	50	50	50	50	49	50	50	87	60	102	102
Adjusted EBITDA	4	6	8	7	26	(3)	1	15	28	41	1	20
Adjusted EBITDA %	8%	10%	13%	10%	10%	-5%	1%	20%	16%	12%	1%	14%

- 1) Please see non-GAAP reconciliations in presentation appendix.
- 2) Results for the period January 1, 2016 through September 30, 2017 are those of Sonus. Results in the quarter ended December 31, 2017 represent three months of Sonus and include the results of GENBAND for the period October 27, 2017 through December 31, 2017.

Note: Totals may not sum due to rounding.

Ribbon Condensed Balance Sheets

USD Millions	Q116	Q216	Q316	Q416	Q117	Q217	Q317	Q417	Q118	Q218
ASSETS										
Cash and Investments ¹	142	143	121	126	129	126	132	83	85	55
Accounts Receivable, Net	34	37	44	54	40	43	52	165	126	136
Inventory, Net	22	21	21	18	18	17	16	21	21	19
Property Plant Equipment, Net	13	12	13	12	11	11	10	25	24	24
Goodwill and Intangibles	64	63	91	80	78	76	73	580	568	556
Other Assets	21	21	20	18	19	21	20	36	38	37
Total Assets	298	296	310	308	294	292	302	911	861	828
LIABILITIES AND EQUITY										
Revolving Credit Facility	0	0	0	0	0	0	0	20	20	20
Liabilities	28	31	43	38	28	31	37	138	116	112
Deferred Revenue	48	45	46	51	55	59	55	115	117	105
Long-term Debt	0	0	0	0	0	0	0	23	23	23
Stockholders' Equity	222	220	221	219	212	203	211	615	585	567
Total Liabilities and Equity	298	296	310	308	294	292	302	911	861	828
DSO	52	54	61	74	67	69	62	88	83	85

1) Includes cash, cash equivalents and short- and long-term investments.

Note: Totals may not sum due to rounding.

Ribbon Condensed Statements of Cash Flows

USD Millions	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118	Q218
Cash from Operations	3	6	1	9	19	4	(1)	6	(1)	8	3	(26)
Purchases of PP&E	(1)	(2)	(1)	(1)	(5)	(1)	(2)	(1)	(1)	(4)	(2)	(2)
Stock Repurchase	(1)	(4)	(2)	(2)	(10)	0	0	0	0	0	0	0
Business Acquisitions	(1)	0	(20)	0	(21)	0	0	0	(43)	(43)	0	0
Other	(0)	(0)	1	(1)	(0)	0	(1)	0	(4)	(4)	0	(2)
Net Change	0	0	(22)	5	(16)	3	(3)	6	(48)	(43)	2	(30)
Cash ¹ Beginning of Period	142	142	143	121	142	126	129	126	132	126	83	85
Cash ¹ End of Period	142	143	121	126	126	129	126	132	83	83	85	55

1) Includes cash, cash equivalents and short- and long-term investments.

Note: Totals may not sum due to rounding.

Ribbon GAAP Revenue Key Stats¹

USD Millions except for percentages	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118	Q218
GAAP Revenue												
Product	35	35	39	38	146	25	29	44	83	181	52	63
Services	24	26	26	30	106	28	27	31	63	149	70	74
Total GAAP Revenue	59	61	65	68	253	53	56	75	146	330	121	137
% of Total GAAP Revenue:												
GAAP Revenue Mix												
Product	59%	58%	59%	56%	58%	48%	52%	59%	57%	55%	43%	46%
Services	41%	42%	41%	44%	42%	52%	48%	41%	43%	45%	57%	54%
GAAP Revenue by Geography												
Domestic	68%	70%	70%	68%	69%	67%	69%	75%	60%	66%	47%	61%
International	32%	30%	30%	32%	31%	33%	31%	25%	40%	34%	53%	39%
GAAP Revenue by Channel												
Direct	79%	75%	68%	75%	74%	66%	70%	76%	82%	76%	84%	88%
Indirect	21%	25%	32%	25%	26%	34%	30%	24%	18%	24%	16%	12%
10% Customers	Level 3 AT&T	AT&T Verizon	AT&T	CenturyLink	AT&T	Verizon	Verizon AT&T	Verizon AT&T	Verizon	Verizon	Verizon	Verizon
Enterprise as % of GAAP Product Revenue	18%	20%	21%	18%	19%	28%	25%	22%	14%	20%	14%	11%
Service Providers as % of GAAP Product Revenue	82%	80%	79%	82%	81%	72%	75%	78%	86%	80%	86%	89%

1) Results for the period January 1, 2016 through September 30, 2017 are those of Sonus. Results in the quarter ended December 31, 2017 represent three months of Sonus and include the results of GENBAND for the period October 27, 2017 through December 31, 2017.

Note: Totals may not sum due to rounding.

2018 Full Year Guidance and Outlook

Full year adjusted EBITDA guidance remains unchanged

- *Adjusted EBITDA² expected to increase to \$75 million*
 - *FY17 pro forma¹ Adjusted EBITDA was \$45 million*

Full year revenue Outlook remains unchanged

- *2018 Non GAAP Revenue expected to decline approximately 10% versus pro forma FY17*
 - *FY17 pro forma¹ non-GAAP revenue was \$643 million*

- 1) Sonus/GENBAND merger closed on 10/27/2017. Pro forma results were calculated as if Sonus and GENBAND were combined at the beginning of all periods presented. Prepared on a non-GAAP basis and does not include the impact of purchase accounting reductions affecting GENBAND revenue.
- 2) Ribbon is unable to project without unreasonable efforts the comparable GAAP net loss figure, which includes interest expense, net; income tax provision; depreciation; amortization of intangible assets; acquisition-related revenue and related cost of revenue adjustments; adjustment for the impact of the new revenue standard; stock-based compensation; litigation costs; acquisition- and integration-related expense; restructuring; and other income (expense), net.

APPENDIX



Discussion of Non-GAAP Financial Measures

Ribbon management uses several 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 when planning and forecasting future periods. By continuing operations, we mean the ongoing results of the business adjusted for acquisition-related revenue as a result of purchase accounting and the related cost of revenue, the impact of the new revenue standard, and excluding certain expenses and credits, including, but not limited to stock-based compensation, amortization and impairment of intangible assets, merger integration costs, settlement expense, certain litigation costs, acquisition-related facilities adjustments, acquisition- and integration-related expense, restructuring, certain gains included in other income (loss), net, and income tax benefits arising from purchase accounting and tax reform. While our management uses 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.

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 Ribbon's financial measures reflect the exclusion of items that are recurring and will be reflected in our financial results for the foreseeable future.

Discussion of Non-GAAP Financial Measures (continued)

Acquisition-Related Revenue and Cost of Revenue; Impact of New Revenue Standard

We provide the supplementary non-GAAP financial measures of non-GAAP Product revenue, non-GAAP Service revenue and non-GAAP Total revenue, which include revenue related to the acquisition of GENBAND that we would have recognized but for the purchase accounting treatment of these transactions and eliminated revenue as a result of our adoption in 2018 of the new revenue recognition standard. Because GAAP accounting requires the elimination of this revenue, as well as the impact on future revenue of our adoption in 2018 of the new revenue standard, GAAP results alone do not fully capture all of our economic activities. These non-GAAP adjustments are intended to reflect the full amounts of such revenue and the related cost of revenue. We include these adjustments to allow for more complete comparisons to the financial results of our historical operations, forward-looking guidance and the financial results of peer companies. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business. These adjustments do not accelerate revenue, but instead include revenue (and the related cost of revenue) that would have been recognized in our 2017 results, and included in our 2018 guidance and results, but for the purchase accounting and new revenue standard adjustments required by GAAP.

Discussion of Non-GAAP Financial Measures (continued)

Stock-Based Compensation

Stock-based compensation expense 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, subjective assumptions and the variety of award types, all of which may vary over time. We evaluate performance without these measures because stock-based compensation expense is influenced by the Company's stock price and other factors such as volatility and interest rates that are beyond our control. The expense related to stock-based awards is generally not controllable in the short-term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include such charges in our operating plans, and we believe that presenting non-GAAP operating results that exclude stock-based compensation provides investors with visibility and insight into our management's method of analysis and the Company's core operating performance. It is reasonable to expect that stock-based compensation will continue in future periods.

Discussion of Non-GAAP Financial Measures (continued)

Amortization of Intangible Assets

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. Amortization of intangible assets that relate to past acquisitions will recur in future periods until such intangible assets have been fully amortized.

Impairment of Intangible Assets

In the fourth quarter of 2017, we discontinued our ongoing development of certain intangible assets that we had previously acquired, as we had determined that there were no alternative uses of the technology within either our existing or future product lines. As a result, we recorded an impairment charge of \$5.5 million to write down the carrying value of the assets to zero. Had we developed those intangible assets internally and made the decision to discontinue their ongoing development, we would have ceased work on such development projects and eliminated the related future costs. Because we do not capitalize these costs, there would have been no asset to write off. As a result, we believe that excluding non-cash impairment charges from our non-GAAP operating results as if these impaired intangible assets had been developed internally rather than acquired facilitates a comparison to our historical operating results and to other companies in our industry.

Discussion of Non-GAAP Financial Measures (continued)

Settlement Expense

In March 2018, we recorded \$1.7 million of expense related to settlements, comprised of \$1.4 million for the settlement of litigation in connection with our acquisition of Taqua LLC and \$0.3 million of patent litigation settlement expense. In September 2017, we recorded \$1.6 million of expense related to potential fines in connection with an ongoing SEC investigation and an additional \$0.3 million of expense in connection with this matter in December 2017. In June 2016, we recorded \$0.6 million for patent litigation settlement costs. These amounts are included as components of general and administrative expense. We believe that such settlement costs are not part of our core business or ongoing operations, are unplanned and generally not within our control. Accordingly, we believe that excluding costs such as the SEC potential fines and patent litigation settlement expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

Litigation Costs

In connection with certain ongoing litigation between GENBAND, as plaintiff, and one of its competitors, we have incurred litigation costs beginning in the fourth quarter of 2017. In March 2018, we filed litigation on behalf of Sonus against the same competitor asserting additional intellectual property infringement. We expect to incur significant future litigation costs related to these matters. These costs are included as a component of general and administrative expense. We believe that such costs are not part of our core business or ongoing operations, are unplanned and generally not within our control. Accordingly, we believe that excluding the litigation costs related to this specific legal matter 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 (continued)

Acquisition-Related Facilities Adjustments

GAAP accounting requires that the deferred rent liability of an acquired company be written off as part of purchase accounting and that the combined company's rent expense on a straight-line basis begin as of the acquisition date. As a result, we recorded more rent expense than would have been recognized but for the purchase accounting treatment of GENBAND's assumed deferred rent liability. We include this adjustment, which relates to the acquisition of GENBAND, to allow for more complete comparisons to the financial results of our historical operations, forward-looking guidance and the financial results of peer companies. We believe these adjustments provide an indication of the rent expense that would have been recognized, but for the purchase accounting required in connection with the acquisition of GENBAND.

Depreciation Expense Related to Abandoned Facilities

During the second quarter of 2015, we reached an agreement with the landlord of one of our previously restructured facilities to vacate the facility without penalty or future payments. As a result, we were able to vacate the facility earlier than originally planned. In connection with this settlement, we recorded incremental depreciation expense to account for the change in the estimated useful lives of the fixed assets related to this facility. This incremental non-cash depreciation expense is not related to our ongoing operations or our core business activities, as it is no longer associated with any revenue-generating activities. As a result, we believe that excluding this incremental depreciation expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry. Future facility consolidation activities could result in additional incremental depreciation expense related to abandoned facilities.

Discussion of Non-GAAP Financial Measures (continued)

Acquisition- and Integration-Related Costs

We consider certain acquisition- and integration-related costs to be unrelated to the organic continuing operations of our acquired businesses and the Company and they are generally not relevant to assessing or estimating the long-term performance of the acquired assets. In addition, the size, complexity and/or volume of an acquisition, which often drives the magnitude of acquisition- and integration-related costs, may not be indicative of future acquisition- and integration-related costs. By excluding these acquisition- and integration-related costs from our non-GAAP measures, management is better able to evaluate our ability to utilize our existing assets and estimate the long-term value that acquired assets will generate for us. We exclude certain acquisition- and integration-related costs to allow more accurate comparisons of our financial results to our historical operations, forward-looking guidance and the financial results of less acquisitive peer companies. In addition, we believe that providing supplemental non-GAAP measures that exclude these items allows management and investors to consider the ongoing operations of the business both with and without such expenses.

Restructuring

We have recorded restructuring expense to streamline operations and reduce operating costs by closing and consolidating certain facilities and reducing our worldwide workforce. We review our restructuring accruals regularly and record adjustments (both expense and credits) to these estimates as required. We believe that excluding restructuring expense and credits facilitates the comparison of our financial results to our historical operating results and to other companies in our industry, as there are no future revenue streams or other benefits associated with these costs.

Discussion of Non-GAAP Financial Measures (continued)

Gain on Sales of Intangible Assets

In 2017 and 2016, we sold intangible assets that we had acquired in connection with two previous acquisitions. These amounts, aggregating \$0.6 million in 2017 and \$1.3 million in 2016, are included as components of other income (expense), net. We believe that such gains are not part of our core business or ongoing operations, as we had not used the intangible assets in connection with revenue-producing activities and would not have used them as such in the future. Accordingly, we believe that excluding the gains arising from these sales from our results facilitates the comparison of our financial results to our historical results and to other companies in our industry.

Tax Benefits Arising from Purchase Accounting and Tax Reform

In the fourth quarter of 2017, we assessed our ability to use our tax benefits and determined that it was more likely than not that some of these benefits will be recognized. As a result, we reduced our deferred tax asset valuation allowance resulting in an income tax benefit of \$16.4 million. In addition, we recognized an income tax benefit of \$4.8 million related to the Tax Cuts and Jobs Act of 2017. We believe that such benefits are not part of our core business or ongoing operations, as they are either the result of acquisitions or new tax legislation, neither of which relates to our revenue-producing activities. Accordingly, we believe that excluding the benefits arising from these adjustments to our income tax provision facilitates the comparison of our financial results to our historical results and to other companies in our industry.

Discussion of Non-GAAP Financial Measures (continued)

Adjusted EBITDA

We use Adjusted EBITDA as a supplemental measure to review and assess our performance. We calculate Adjusted EBITDA by excluding from net income (loss): interest income (expense), net; income tax benefit (provision); depreciation; and amortization and impairment of intangible assets. In addition, we exclude from net income (loss): adjustments to revenue and cost of revenue related to revenue reductions resulting from purchase accounting and adoption of the new revenue standard; stock-based compensation expense; settlement expense; certain litigation costs; acquisition-related facilities adjustments; acquisition- and integration-related expense; restructuring; and other income (expense), net. In general, we add back the expenses that we consider to be non-cash and/or not part of our ongoing operations. Adjusted EBITDA is a non-GAAP financial measure that is used by our investing community for comparative and valuation purposes. We disclose this metric to support and facilitate our dialogue with research analysts and investors. Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

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 them. We further believe that providing this information helps investors to better understand our core financial and operating performance and evaluate the efficacy of the methodology and information used by our management to evaluate and measure such performance.

Annual and Quarterly GAAP to Non-GAAP Reconciliation

\$000's	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118	Q218
GAAP Product revenue	\$ 34,769	\$ 35,349	\$ 38,601	\$ 37,662	\$ 146,381	\$ 25,395	\$ 28,790	\$ 44,120	\$ 82,814	\$ 181,119	\$ 51,531	\$ 63,123
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	3,230	3,230	5,499	1,741
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	2,540	2,437
Non-GAAP Product revenue	<u>\$ 34,769</u>	<u>\$ 35,349</u>	<u>\$ 38,601</u>	<u>\$ 37,662</u>	<u>\$ 146,381</u>	<u>\$ 25,395</u>	<u>\$ 28,790</u>	<u>\$ 44,120</u>	<u>\$ 86,044</u>	<u>\$ 184,349</u>	<u>\$ 59,570</u>	<u>\$ 67,301</u>
GAAP Service revenue	\$ 24,382	\$ 25,508	\$ 26,410	\$ 29,910	\$ 106,210	\$ 27,973	\$ 26,943	\$ 30,509	\$ 63,398	\$ 148,823	\$ 69,649	\$ 74,238
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	20,050	20,050	5,619	2,547
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	475	512
Non-GAAP Service revenue	<u>\$ 24,382</u>	<u>\$ 25,508</u>	<u>\$ 26,410</u>	<u>\$ 29,910</u>	<u>\$ 106,210</u>	<u>\$ 27,973</u>	<u>\$ 26,943</u>	<u>\$ 30,509</u>	<u>\$ 83,448</u>	<u>\$ 168,873</u>	<u>\$ 75,743</u>	<u>\$ 77,297</u>
GAAP Total revenue	\$ 59,151	\$ 60,857	\$ 65,011	\$ 67,572	\$ 252,591	\$ 53,368	\$ 55,733	\$ 74,629	\$ 146,212	\$ 329,942	\$ 121,180	\$ 137,361
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	23,280	23,280	11,118	4,288
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	3,015	2,949
Non-GAAP Total revenue	<u>\$ 59,151</u>	<u>\$ 60,857</u>	<u>\$ 65,011</u>	<u>\$ 67,572</u>	<u>\$ 252,591</u>	<u>\$ 53,368</u>	<u>\$ 55,733</u>	<u>\$ 74,629</u>	<u>\$ 169,492</u>	<u>\$ 353,222</u>	<u>\$ 135,313</u>	<u>\$ 144,598</u>
GAAP Gross profit - total	\$ 38,403	\$ 40,228	\$ 43,586	\$ 45,394	\$ 167,611	\$ 33,748	\$ 36,402	\$ 54,547	\$ 76,799	\$ 201,496	\$ 55,273	\$ 75,111
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	23,280	23,280	11,118	4,288
Acquisition-related cost of revenue adjustment	-	-	-	-	-	-	-	-	(10,364)	(10,364)	(1,977)	-
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	3,015	2,949
Adjustment to cost of revenue for new revenue standard	-	-	-	-	-	-	-	-	-	-	(110)	-
Stock-based compensation	403	415	426	429	1,673	416	348	274	924	1,962	183	86
Amortization of intangible assets	1,627	1,455	1,455	1,501	6,038	1,566	1,601	1,601	8,119	12,887	9,592	9,270
Impairment of intangible assets	-	-	-	-	-	-	-	-	5,471	5,471	-	-
Acquisition-related facilities adjustment	-	-	-	-	-	-	-	-	-	-	68	81
Non-GAAP gross profit	<u>\$ 40,433</u>	<u>\$ 42,098</u>	<u>\$ 45,467</u>	<u>\$ 47,324</u>	<u>\$ 175,322</u>	<u>\$ 35,730</u>	<u>\$ 38,351</u>	<u>\$ 56,422</u>	<u>\$ 104,229</u>	<u>\$ 234,732</u>	<u>\$ 77,162</u>	<u>\$ 91,785</u>
GAAP Gross margin - total	64.9%	66.1%	67.0%	67.2%	66.4%	63.2%	65.3%	73.1%	52.5%	61.1%	45.6%	54.7%
Acquisition-related revenue adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.6%	2.6%	3.9%	1.1%
Acquisition-related cost of revenue adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-6.1%	-2.9%	-1.6%	0.0%
Adjustment for new revenue standard	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	0.8%
Adjustment to cost of revenue for new revenue standard	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%
Stock-based compensation	0.7%	0.7%	0.7%	0.6%	0.7%	0.8%	0.6%	0.4%	0.5%	0.6%	0.2%	0.1%
Amortization of intangible assets	2.8%	2.4%	2.2%	2.2%	2.3%	3.0%	2.9%	2.1%	4.8%	3.6%	7.9%	6.7%
Impairment of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%	1.5%	0.0%	0.0%
Acquisition-related facilities adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Non-GAAP Gross margin - total	<u>68.4%</u>	<u>69.2%</u>	<u>69.9%</u>	<u>70.0%</u>	<u>69.4%</u>	<u>67.0%</u>	<u>68.8%</u>	<u>75.6%</u>	<u>61.5%</u>	<u>66.5%</u>	<u>57.0%</u>	<u>63.5%</u>

Annual and Quarterly GAAP to Non-GAAP Reconciliation (continued)

S000s	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118	Q218
GAAP Operating expenses	\$ 42,284	\$ 42,936	\$ 47,902	\$ 48,098	\$ 181,220	\$ 44,530	\$ 49,105	\$ 50,628	\$ 112,462	\$ 256,725	\$ 97,956	\$ 91,747
Stock-based compensation	(4,012)	(4,226)	(5,982)	(3,875)	(18,095)	(2,847)	(3,889)	(3,613)	(13,346)	(23,695)	(2,641)	(1,995)
Amortization of intangible assets	(319)	(318)	(319)	(506)	(1,462)	(693)	(692)	(692)	(2,148)	(4,225)	(2,717)	(2,694)
Merger integration expense	-	-	-	-	-	-	-	(178)	178	-	-	-
Settlement expense	-	(605)	-	-	(605)	-	-	(1,600)	(300)	(1,900)	(1,730)	-
Litigation costs	-	-	-	-	-	-	-	-	(373)	(373)	(673)	(1,901)
Acquisition-related facilities adjustment	-	-	-	-	-	-	-	-	-	-	(143)	(171)
Acquisition- and integration-related expense	-	-	(951)	(201)	(1,152)	(56)	(4,679)	(1,543)	(8,485)	(14,763)	(4,412)	(4,280)
Restructuring	-	-	(1,620)	(1,120)	(2,740)	(570)	(501)	-	(8,365)	(9,436)	(6,668)	(6,097)
Non-GAAP Operating expenses	\$ 37,953	\$ 37,787	\$ 39,030	\$ 42,396	\$ 157,166	\$ 40,364	\$ 39,344	\$ 43,002	\$ 79,623	\$ 202,333	\$ 78,972	\$ 74,609
GAAP Income (loss) from operations	\$ (3,881)	\$ (2,708)	\$ (4,316)	\$ (2,704)	\$ (13,609)	\$ (10,782)	\$ (12,703)	\$ 3,919	\$ (35,663)	\$ (55,229)	\$ (42,383)	\$ (16,636)
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	23,280	23,280	11,118	4,288
Acquisition-related cost of revenue adjustment	-	-	-	-	-	-	-	-	(10,364)	(10,364)	(1,977)	-
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	3,015	2,949
Adjustment to cost of revenue for new revenue standard	-	-	-	-	-	-	-	-	-	-	(110)	-
Stock-based compensation	4,415	4,641	6,408	4,304	19,768	3,263	4,237	3,887	14,270	25,657	2,824	2,081
Amortization of intangible assets	1,946	1,773	1,774	2,007	7,500	2,259	2,293	2,293	10,267	17,112	12,309	11,964
Impairment of intangible assets	-	-	-	-	-	-	-	-	5,471	5,471	-	-
Merger integration expense	-	-	-	-	-	-	-	178	(178)	-	-	-
Settlement expense	-	605	-	-	605	-	-	1,600	300	1,900	1,730	-
Litigation costs	-	-	-	-	-	-	-	-	373	373	673	1,901
Acquisition-related facilities adjustment	-	-	-	-	-	-	-	-	-	-	211	252
Acquisition- and integration-related expense	-	-	951	201	1,152	56	4,679	1,543	8,485	14,763	4,412	4,280
Restructuring	-	-	1,620	1,120	2,740	570	501	-	8,365	9,436	6,668	6,097
Non-GAAP Income (loss) from operations	\$ 2,480	\$ 4,311	\$ 6,437	\$ 4,928	\$ 18,156	\$ (4,634)	\$ (993)	\$ 13,420	\$ 24,606	\$ 32,399	\$ (1,510)	\$ 17,176

Annual and Quarterly GAAP to Non-GAAP Reconciliation (continued)

\$000s, except per share amounts	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118	Q218
GAAP Net income (loss)	\$ (4,654)	\$ (2,916)	\$ (3,731)	\$ (2,631)	\$ (13,932)	\$ (10,646)	\$ (12,345)	\$ 3,453	\$ (15,714)	\$ (35,252)	\$ (44,904)	\$ (19,922)
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	23,280	23,280	11,118	4,288
Acquisition-related cost of revenue adjustment	-	-	-	-	-	-	-	-	(10,364)	(10,364)	(1,977)	-
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	3,015	2,949
Adjustment to cost of revenue for new revenue standard	-	-	-	-	-	-	-	-	-	-	(110)	-
Stock-based compensation	4,415	4,641	6,408	4,304	19,768	3,263	4,237	3,887	14,270	25,657	2,824	2,081
Amortization of intangible assets	1,946	1,773	1,774	2,007	7,500	2,259	2,293	2,293	10,267	17,112	12,309	11,964
Impairment of intangible assets	-	-	-	-	-	-	-	-	5,471	5,471	-	-
Merger integration expense	-	-	-	-	-	-	-	178	(178)	-	-	-
Settlement expense	-	605	-	-	605	-	-	1,600	300	1,900	1,730	-
Litigation costs	-	-	-	-	-	-	-	-	373	373	673	1,901
Acquisition-related facilities adjustment	-	-	-	-	-	-	-	-	-	-	211	252
Acquisition- and integration-related expense	-	-	951	201	1,152	56	4,679	1,543	8,485	14,763	4,412	4,280
Restructuring	-	-	1,620	1,120	2,740	570	501	-	8,365	9,436	6,668	6,097
Gain on sales of intangible assets	-	-	(800)	(498)	(1,298)	-	(576)	-	-	(576)	-	-
Tax benefits arising from purchase accounting and tax reform	-	-	-	-	-	-	-	-	(21,155)	(21,155)	-	-
Non-GAAP Net income (loss)	<u>\$ 1,707</u>	<u>\$ 4,103</u>	<u>\$ 6,222</u>	<u>\$ 4,503</u>	<u>\$ 16,535</u>	<u>\$ (4,498)</u>	<u>\$ (1,211)</u>	<u>\$ 12,954</u>	<u>\$ 23,400</u>	<u>\$ 30,645</u>	<u>\$ (4,031)</u>	<u>\$ 13,890</u>
GAAP Diluted earnings per share or (loss) per share	\$ (0.09)	\$ (0.06)	\$ (0.08)	\$ (0.05)	\$ (0.28)	\$ (0.22)	\$ (0.25)	\$ 0.07	\$ (0.18)	\$ (0.60)	\$ (0.44)	\$ (0.20)
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	0.27	0.38	0.11	0.04
Acquisition-related cost of revenue adjustment	-	-	-	-	-	-	-	-	(0.12)	(0.17)	(0.02)	-
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	0.03	0.03
Adjustment to cost of revenue for new revenue standard	-	-	-	-	-	-	-	-	-	-	*	-
Stock-based compensation	0.08	0.09	0.13	0.09	0.40	0.07	0.09	0.08	0.16	0.43	0.03	0.02
Amortization of intangible assets	0.04	0.04	0.04	0.04	0.15	0.05	0.05	0.05	0.12	0.29	0.11	0.13
Impairment of intangible assets	-	-	-	-	-	-	-	-	0.06	0.09	-	-
Merger integration expense	-	-	-	-	-	-	-	*	*	-	-	-
Settlement expense	-	0.01	-	-	0.01	-	-	0.03	*	0.03	0.02	-
Litigation costs	-	-	-	-	-	-	-	-	*	0.01	0.01	0.02
Acquisition-related facilities adjustment	-	-	-	-	-	-	-	-	-	-	*	*
Acquisition- and integration-related expense	-	-	0.02	*	0.02	*	0.09	0.03	0.10	0.25	0.04	0.04
Restructuring	-	-	0.03	0.02	0.06	0.01	0.01	-	0.10	0.16	0.07	0.06
Gain on sales of intangible assets	-	-	(0.02)	(0.01)	(0.03)	-	(0.01)	-	-	(0.01)	-	-
Tax benefits arising from purchase accounting and tax reform	-	-	-	-	-	-	-	-	(0.24)	(0.35)	-	-
Non-GAAP Diluted earnings per share or (loss) per share	<u>\$ 0.03</u>	<u>\$ 0.08</u>	<u>\$ 0.12</u>	<u>\$ 0.09</u>	<u>\$ 0.33</u>	<u>\$ (0.09)</u>	<u>\$ (0.02)</u>	<u>\$ 0.26</u>	<u>\$ 0.27</u>	<u>\$ 0.51</u>	<u>\$ (0.04)</u>	<u>\$ 0.14</u>

* Less than \$0.01 impact on earnings (loss) per share

Annual and Quarterly GAAP to Non-GAAP Reconciliation (continued)

S000's	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118	Q218
Adjusted EBITDA												
GAAP Net income (loss)	\$ (4,654)	\$ (2,916)	\$ (3,731)	\$ (2,631)	\$ (13,932)	\$ (10,646)	\$ (12,345)	\$ 3,453	\$ (15,714)	\$ (35,252)	\$ (44,904)	\$ (19,922)
Interest (income) expense	(164)	(217)	(209)	(179)	(769)	(258)	(254)	(260)	509	(263)	599	735
Income tax (benefit) provision	1,040	435	427	614	2,516	123	471	727	(19,761)	(18,440)	2,170	499
Depreciation	1,981	1,989	1,944	2,056	7,970	1,823	1,772	1,660	3,231	8,486	2,507	2,811
Amortization of intangible assets	1,946	1,773	1,774	2,007	7,500	2,259	2,293	2,293	10,267	17,112	12,309	11,964
Impairment of intangible assets	-	-	-	-	-	-	-	-	5,471	5,471	-	-
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	23,280	23,280	11,118	4,288
Acquisition-related cost of revenue adjustment	-	-	-	-	-	-	-	-	(10,364)	(10,364)	(1,977)	-
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	3,015	2,949
Adjustment to cost of revenue for new revenue standard	-	-	-	-	-	-	-	-	-	-	(110)	-
Stock-based compensation	4,415	4,641	6,408	4,304	19,768	3,263	4,237	3,887	14,270	25,657	2,824	2,081
Merger integration expense	-	-	-	-	-	-	-	178	(178)	-	-	-
Settlement expense	-	605	-	-	605	-	-	1,600	300	1,900	1,730	-
Litigation costs	-	-	-	-	-	-	-	-	373	373	673	1,901
Acquisition-related facilities adjustment	-	-	-	-	-	-	-	-	-	-	211	252
Acquisition- and integration-related expense	-	-	951	201	1,152	56	4,679	1,543	8,485	14,763	4,412	4,280
Restructuring	-	-	1,620	1,120	2,740	570	501	-	8,365	9,436	6,668	6,097
Other (income) expense, net	(103)	(10)	(803)	(508)	(1,424)	(1)	(575)	(1)	(697)	(1,274)	(248)	2,052
Non-GAAP Adjusted EBITDA	\$ 4,461	\$ 6,300	\$ 8,381	\$ 6,984	\$ 26,126	\$ (2,811)	\$ 779	\$ 15,080	\$ 27,837	\$ 40,885	\$ 997	\$ 19,987
Adjusted EBITDA as a percentage of revenue												
GAAP net income (loss)	-7.9%	-4.8%	-5.7%	-3.9%	-5.5%	-19.9%	-22.2%	4.6%	-10.7%	-10.7%	-37.1%	-14.5%
Interest (income) expense, net	-0.3%	-0.4%	-0.3%	-0.3%	-0.3%	-0.5%	-0.5%	-0.3%	0.3%	-0.1%	0.4%	0.5%
Income tax (benefit) provision	1.8%	0.7%	0.7%	0.9%	1.0%	0.2%	0.8%	1.0%	-11.7%	-5.2%	1.6%	0.3%
Depreciation	3.3%	3.3%	3.0%	3.0%	3.2%	3.4%	3.2%	2.2%	1.9%	2.4%	1.9%	1.9%
Amortization of intangible assets	3.3%	2.9%	2.7%	3.0%	3.0%	4.2%	4.1%	3.1%	6.1%	4.8%	9.1%	8.3%
Impairment of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%	1.5%	0.0%	0.0%
Acquisition-related revenue adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.2%	7.4%	12.1%	3.8%
Acquisition-related cost of revenue adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-6.1%	-2.9%	-1.5%	0.0%
Acquisition-related cost of revenue adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.2%	2.0%
Adjustment for new revenue standard	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%
Stock-based compensation	7.5%	7.7%	9.7%	6.4%	7.7%	6.1%	7.7%	5.2%	8.4%	7.3%	2.1%	1.4%
Merger integration expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	-0.1%	0.0%	0.0%	0.0%
Settlement expense	0.0%	1.0%	0.0%	0.0%	0.2%	0.0%	0.0%	2.1%	0.2%	0.5%	1.3%	0.0%
Litigation costs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%	0.5%	1.3%
Acquisition-related facilities adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%
Acquisition- and integration-related expense	0.0%	0.0%	1.5%	0.3%	0.5%	0.1%	8.4%	2.1%	5.0%	4.2%	3.3%	3.0%
Restructuring	0.0%	0.0%	2.5%	1.7%	1.1%	1.1%	0.9%	0.0%	4.9%	2.7%	4.9%	4.2%
Other (income) expense, net	-0.2%	*	-1.2%	-0.8%	-0.6%	*	-1.0%	*	-0.4%	-0.4%	-0.2%	1.4%
Non-GAAP Adjusted EBITDA as a percentage of revenue	7.5%	10.4%	12.9%	10.3%	10.3%	-5.3%	1.4%	20.2%	16.4%	11.6%	0.7%	13.8%

* Less than 0.1% impact on Adjusted EBITDA as a percentage of revenue

Outlook GAAP to Non-GAAP Reconciliation

	Year ending December 31, 2018
Non-GAAP Revenue	\$ 580
Less acquisition-related adjustments and impact of new revenue standard	(32)
GAAP Revenue	<u>\$ 548</u>

Adjusted EBITDA: Ribbon has not provided a reconciliation of Adjusted EBITDA for the year ending December 31, 2018, as it is unable to project without unreasonable efforts the comparable GAAP net loss figure, which includes interest expense, net; income tax provision; depreciation; amortization of intangible assets; acquisition-related revenue and related cost of revenue adjustments; adjustments for the impact of the new revenue standard; stock-based compensation; settlement expense; certain litigation costs; acquisition-related facilities adjustments; acquisition- and integration-related expense; restructuring and other income (expense), net.