

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, 2009	September 30, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Revenue						
Product		\$ 47,009	\$ 33,544	\$ 53,642	\$ 136,276	\$ 203,387
Service		21,703	22,621	35,902	91,220	109,758
Total revenue		<u>\$ 68,712</u>	<u>\$ 56,165</u>	<u>\$ 89,544</u>	<u>\$ 227,496</u>	<u>\$ 313,145</u>
Gross profit						
Product		\$ 35,157	\$ 23,384	\$ 26,011	\$ 97,383	\$ 129,113
Service		10,222	11,866	13,801	46,753	53,738
Total gross profit		<u>\$ 45,379</u>	<u>\$ 35,250</u>	<u>\$ 39,812</u>	<u>\$ 144,136</u>	<u>\$ 182,851</u>
GAAP Gross margin - product		74.8%	69.7%	48.5%	71.5%	63.5%
Stock-based compensation expense	A	0.1%	0.2%	0.3%	0.2%	0.4%
Amortization of intangible assets	B	0.1%	0.1%	0.5%	0.2%	0.4%
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>75.0%</u>	<u>70.0%</u>	<u>49.3%</u>	<u>71.9%</u>	<u>64.3%</u>
GAAP Gross margin - service		47.1%	52.5%	38.4%	51.3%	49.0%
Stock-based compensation expense	A	2.1%	2.1%	1.3%	1.9%	2.4%
Non-GAAP Gross margin - service		<u>49.2%</u>	<u>54.6%</u>	<u>39.7%</u>	<u>53.2%</u>	<u>51.4%</u>
GAAP Total gross profit		\$ 45,379	\$ 35,250	\$ 39,812	\$ 144,136	\$ 182,851
Stock-based compensation expense	A	512	550	616	2,145	3,465
Amortization of intangible assets	B	40	40	279	224	852
Change in estimate - reduction of contingency for employment tax audit	C	-	-	(1)	-	(8)
Non-GAAP Total gross profit		<u>\$ 45,931</u>	<u>\$ 35,840</u>	<u>\$ 40,706</u>	<u>\$ 146,505</u>	<u>\$ 187,160</u>
GAAP Total gross margin		66.0%	62.8%	44.5%	63.4%	58.4%
Stock-based compensation expense % of revenue	A	0.7%	0.9%	0.7%	0.9%	1.1%
Amortization of intangible assets % of revenue	B	0.1%	0.1%	0.3%	0.1%	0.3%
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>66.8%</u>	<u>63.8%</u>	<u>45.5%</u>	<u>64.4%</u>	<u>59.8%</u>
GAAP Research and development expense		\$ 13,869	\$ 14,141	\$ 15,997	\$ 59,864	\$ 73,098
Stock-based compensation expense	A	(706)	(774)	(1,213)	(3,349)	(7,921)
Change in estimate - reduction of contingency for employment tax audit	C	-	-	1	-	52
Non-GAAP Research and development expense		<u>\$ 13,163</u>	<u>\$ 13,367</u>	<u>\$ 14,785</u>	<u>\$ 56,515</u>	<u>\$ 65,229</u>
GAAP Sales and marketing expense		\$ 12,911	\$ 11,527	\$ 18,952	\$ 48,929	\$ 74,364
Stock-based compensation expense	A	(812)	(885)	(1,494)	(4,231)	(5,662)
Amortization of intangible assets	B	-	-	(52)	-	(169)

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	Notes	Three months ended			Year ended	
		December 31, 2009	September 30, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Change in estimate - reduction of contingency for employment tax audit	C	-	-	3	-	99
Non-GAAP Sales and marketing expense		<u>\$ 12,099</u>	<u>\$ 10,642</u>	<u>\$ 17,409</u>	<u>\$ 44,698</u>	<u>\$ 68,632</u>
GAAP General and administrative expense		\$ 10,958	\$ 11,578	\$ 17,385	\$ 43,217	\$ 62,045
Stock-based compensation expense	A	(891)	(930)	(2,395)	(3,085)	(8,074)
Change in estimate - reduction of contingency for employment tax audit	C	-	-	117	-	504
Earnout settlement - Zynetix acquisition	D	-	-	334	-	(1,351)
Non-GAAP General and administrative expense		<u>\$ 10,067</u>	<u>\$ 10,648</u>	<u>\$ 15,441</u>	<u>\$ 40,132</u>	<u>\$ 53,124</u>
GAAP Litigation settlements		\$ -	\$ -	\$ -	\$ -	\$ 19,100
Litigation settlements		-	-	-	-	(19,100)
Non-GAAP Litigation settlements	E	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Impairment of intangible assets		\$ -	\$ -	\$ 2,727	\$ -	\$ 2,727
Impairment of intangible assets	F	-	-	(2,727)	-	(2,727)
Non-GAAP impairment of intangible assets		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Restructuring		\$ -	\$ 1,533	\$ 702	\$ 3,510	\$ 702
Restructuring	G	-	(1,533)	(702)	(3,510)	(702)
Non-GAAP Restructuring		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Operating expenses		\$ 37,738	\$ 38,779	\$ 55,763	\$ 155,520	\$ 232,036
Stock-based compensation expense	A	(2,409)	(2,589)	(5,102)	(10,665)	(21,657)
Amortization of intangible assets	B	-	-	(52)	-	(169)
Change in estimate - reduction of contingency for employment tax audit	C	-	-	121	-	655
Earnout settlement - Zynetix acquisition	D	-	-	334	-	(1,351)
Litigation settlements	E	-	-	-	-	(19,100)
Impairment of intangible assets	F	-	-	(2,727)	-	(2,727)
Restructuring	G	-	(1,533)	(702)	(3,510)	(702)
Non-GAAP Operating expenses		<u>\$ 35,329</u>	<u>\$ 34,657</u>	<u>\$ 47,635</u>	<u>\$ 141,345</u>	<u>\$ 186,985</u>
GAAP Income (loss) from operations		\$ 7,641	\$ (3,529)	\$ (15,951)	\$ (11,384)	\$ (49,185)
Stock-based compensation expense	A	2,921	3,139	5,718	12,810	25,122
Amortization of intangible assets	B	40	40	331	224	1,021
Change in estimate - reduction of contingency for employment tax audit	C	-	-	(122)	-	(663)
Earnout settlement - Zynetix acquisition	D	-	-	(334)	-	1,351
Litigation settlements	E	-	-	-	-	19,100
Impairment of intangible assets	F	-	-	2,727	-	2,727
Restructuring	G	-	1,533	702	3,510	702
Non-GAAP Income (loss) from operations		<u>\$ 10,602</u>	<u>\$ 1,183</u>	<u>\$ (6,929)</u>	<u>\$ 5,160</u>	<u>\$ 175</u>

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

	Notes	Three months ended			Year ended	
		December 31, 2009	September 30, 2009	December 31, 2008	December 31, 2009	December 31, 2008
GAAP Interest expense		\$ (89)	\$ (23)	\$ (34)	\$ (183)	\$ (291)
Change in estimate - reduction of contingency for employment tax audit	C	-	-	(71)	-	(71)
Non-GAAP Interest expense		<u>\$ (89)</u>	<u>\$ (23)</u>	<u>\$ (105)</u>	<u>\$ (183)</u>	<u>\$ (362)</u>
GAAP Other income (expense)		\$ 47	\$ 12	\$ (29)	\$ 71	\$ 358
Change in estimate - reduction of contingency for employment tax audit	C	-	-	-	-	(379)
Non-GAAP Other income (expense)		<u>\$ 47</u>	<u>\$ 12</u>	<u>\$ (29)</u>	<u>\$ 71</u>	<u>\$ (21)</u>
GAAP Loss from discontinued operations, net of tax		\$ -	\$ -	\$ (183)	\$ -	\$ (4,491)
Loss from discontinued operations, net of tax	I	-	-	183	-	4,491
Non-GAAP Loss from discontinued operations, net of tax		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP loss on sale of discontinued operations, net of tax		\$ -	\$ -	\$ (741)	\$ -	\$ (741)
Loss on sale of discontinued operations, net of tax	J	-	-	741	-	741
Non-GAAP loss on sale of discontinued operations, net of tax		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP Net income (loss)		\$ 10,309	\$ (3,397)	\$ (100,432)	\$ (4,932)	\$ (121,382)
Stock-based compensation expense	A	2,921	3,139	5,718	12,810	25,122
Amortization of intangible assets	B	40	40	331	224	1,021
Change in estimate - reduction of contingency for employment tax audit	C	-	-	(193)	-	(1,113)
Earnout settlement - Zynetix acquisition	D	-	-	(334)	-	1,351
Litigation settlements	E	-	-	-	-	19,100
Impairment of intangible assets	F	-	-	2,727	-	2,727
Restructuring	G	-	1,533	702	3,510	702
Income tax effect of non-GAAP adjustments - benefit (provision)	H	-	-	90,609	-	76,914
Loss from discontinued operations, net of tax	I	-	-	183	-	4,491
Loss on sale of discontinued operations, net of tax	J	-	-	741	-	741
Non-GAAP Net income		<u>\$ 13,270</u>	<u>\$ 1,315</u>	<u>\$ 52</u>	<u>\$ 11,612</u>	<u>\$ 9,674</u>
Net income (loss) per share - diluted						
GAAP		\$ 0.04	\$ (0.01)	\$ (0.37)	\$ (0.02)	\$ (0.45)
Non-GAAP		\$ 0.05	\$ -	\$ -	\$ 0.04	\$ 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		275,152	273,907	272,536	273,730	271,477
Non-GAAP Shares used to compute diluted net income or net loss per share		275,152	274,205	273,121	274,022	272,093

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				
		31-Dec-08 (Q4 2008)	31-Mar-09 (Q1 2009)	30-Jun-09 (Q2 2009)	30-Sep-09 (Q3 2009)	31-Dec-09 (Q4 2009)
GAAP Gross profit		\$ 39,812	\$ 23,215	\$ 40,292	\$ 35,250	\$ 45,379
Stock-based compensation expense	A	616	581	502	550	512
Amortization of intangible assets	B	279	96	48	40	40
Change in estimate - reduction of contingency for employment tax audit	C	(1)	-	-	-	-
Non-GAAP Gross profit		<u>\$ 40,706</u>	<u>\$ 23,892</u>	<u>\$ 40,842</u>	<u>\$ 35,840</u>	<u>\$ 45,931</u>
GAAP Research and development expense		\$ 15,997	\$ 16,353	\$ 15,501	\$ 14,141	\$ 13,869
Stock-based compensation expense	A	(1,213)	(767)	(1,102)	(774)	(706)
Change in estimate - reduction of contingency for employment tax audit	C	1	-	-	-	-
Non-GAAP Research and development expense		<u>\$ 14,785</u>	<u>\$ 15,586</u>	<u>\$ 14,399</u>	<u>\$ 13,367</u>	<u>\$ 13,163</u>
Non-GAAP Gross Profit to R&D Spend Ratio - Trailing 12 Months	K					
<i>Twelve Months (Four Quarters) Ended December 31, 2009</i>						
Non-GAAP Gross profit		\$ 146,505	(a)			
Non-GAAP Research and development expense		\$ 56,515	(b)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (a)/(b)</i>		\$ 2.6				
<i>Twelve Months (Four Quarters) Ended September 30, 2009</i>						
Non-GAAP Gross profit		\$ 141,280	(c)			
Non-GAAP Research and development expense		\$ 58,137	(d)			
<i>Non-GAAP Gross Profit to R&D Spend Ratio (c)/(d)</i>		\$ 2.4				