

OPENWAVE SYSTEMS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS-UNAUDITED
(In thousands)

	September 30, 2007	June 30, 2007
Assets		
Current Assets:		
Cash, cash equivalents and short-term investments	\$ 204,890	\$ 240,644
Restricted cash	962	2,061
Accounts receivable, net	56,273	72,894
Prepaid and other current assets	31,910	30,482
Current assets of discontinued operations	16,640	19,039
Total current assets	310,675	365,120
Property and equipment, net	18,407	19,834
Long-term investments and restricted cash and investments	64,059	37,944
Deposits and other assets	4,255	4,575
Goodwill and intangible assets, net	85,443	86,162
Noncurrent assets of discontinued operations	34,841	34,652
Total assets	\$ 517,680	\$ 548,287
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 2,949	\$ 10,288
Accrued liabilities	54,760	56,344
Accrued restructuring costs	15,188	26,118
Deferred revenue	44,704	46,342
Convertible subordinated notes, net	149,223	-
Current liabilities of discontinued operations	16,570	18,837
Total current liabilities	283,394	157,929
Accrued restructuring costs, less current portion	48,818	51,140
Deferred revenue, less current portion	17,570	11,917
Deferred rent obligations and long-term taxes payable	4,216	1,649
Deferred tax liabilities, net	626	1,349
Convertible subordinated notes, net	-	149,017
Noncurrent liabilities of discontinued operations	5,142	5,034
Total liabilities	359,766	378,035
Stockholders' equity	157,914	170,252
Total liabilities and stockholders' equity	\$ 517,680	\$ 548,287

OPENWAVE SYSTEMS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS-UNAUDITED
(In thousands, except per share data)

	Three Months Ended		
	September 30, 2007	June 30, 2007	September 30, 2006
Revenues:			
License	\$ 17,323	\$ 19,402	\$ 29,570
Maintenance and support	21,644	22,443	22,813
Services	24,005	26,249	31,428
Total revenues	<u>62,972</u>	<u>68,094</u>	<u>83,811</u>
Cost of revenues:			
License	842	1,510	1,805
Maintenance and support	8,303	9,099	7,808
Services	18,100	18,102	22,374
Amortization of intangible assets	2,054	2,056	1,518
Total cost of revenues	<u>29,299</u>	<u>30,767</u>	<u>33,505</u>
Gross profit	<u>33,673</u>	<u>37,327</u>	<u>50,306</u>
Operating Expenses:			
Research and development	14,927	17,539	18,258
Sales and marketing	18,533	24,910	25,051
General and administrative	13,920	16,253	15,470
Stock option review and associated costs	-	-	5,492
Restructuring and other related costs	1,208	17,548	10,500
Acquisition-related costs and amortization	829	823	714
Gain on sale of technology	-	-	(1,287)
Total operating expenses	<u>49,417</u>	<u>77,073</u>	<u>74,198</u>
Operating loss from continuing operations	(15,744)	(39,746)	(23,892)
Interest and other (expense), net	2,904	3,430	5,898
Gain on non-marketable equity securities	-	1,065	-
Pre-tax loss from continuing operations	<u>(12,840)</u>	<u>(35,251)</u>	<u>(17,994)</u>
Income taxes	954	1,807	2,071
Net loss from continuing operations	<u>(13,794)</u>	<u>(37,058)</u>	<u>(20,065)</u>
Net loss from discontinued operations, net of tax	(351)	(86,756)	(4,472)
Net loss	<u>\$ (14,145)</u>	<u>\$ (123,814)</u>	<u>\$ (24,537)</u>
Basic and diluted net loss per share from:			
Continuing operations	\$ (0.17)	\$ (0.45)	\$ (0.22)
Discontinued operations	-	(1.05)	(0.05)
Net loss per share	<u>\$ (0.17)</u>	<u>\$ (1.50)</u>	<u>\$ (0.27)</u>
Shares used in basic and diluted net loss per share	82,224	82,449	91,815
Stock-based compensation by category:			
Maintenance and support	\$ 200	\$ 168	\$ 182
Services	300	216	283
Research and development	380	757	574
Sales and marketing	807	760	2,528
General and administrative	657	(459)	1,978
Restructuring and other related costs	-	1,691	-
Discontinued operations	145	152	161
	<u>\$ 2,489</u>	<u>\$ 3,285</u>	<u>\$ 5,706</u>

OPENWAVE SYSTEMS INC.
RECONCILIATION OF GAAP NET LOSS TO NON-GAAP NET INCOME (LOSS)

(In thousands, except per share data)

	Three Months Ended		
	September 30, 2007	June 30, 2007	September 30, 2006
Reconciliation between GAAP and Non-GAAP net income (loss):			
Net loss	\$ (14,145)	\$ (123,814)	\$ (24,537)
Exclude:			
Restructuring and other related costs	1,208	17,548	10,500
Acquisition-related costs and amortization*	2,883	2,879	2,232
Amortization of stock-based compensation	2,344	1,442	5,545
Professional fees associated with unusual events**	1,374	3,314	5,492
Retention bonuses related to strategic alternatives	3,398	3,217	-
Gains on non-operating assets	-	(1,065)	(1,287)
Discontinued operations, net of tax	351	86,756	4,472
Tax impact of reconciling items***	(821)	(826)	(813)
Non-GAAP net income (loss)	<u>\$ (3,408)</u>	<u>\$ (10,549)</u>	<u>\$ 1,604</u>
GAAP net loss per share - diluted	\$ (0.17)	\$ (1.50)	\$ (0.27)
Exclude:			
Restructuring and other related costs	\$ 0.01	\$ 0.21	\$ 0.12
Acquisition-related costs and amortization*	\$ 0.04	\$ 0.03	\$ 0.02
Amortization of stock-based compensation	\$ 0.03	\$ 0.02	\$ 0.06
Professional fees associated with unusual events**	\$ 0.02	\$ 0.04	\$ 0.06
Retention bonuses related to strategic alternatives	\$ 0.04	\$ 0.04	\$ -
Gains on non-operating assets	\$ -	\$ (0.01)	\$ (0.01)
Discontinued operations, net of tax	\$ -	\$ 1.05	\$ 0.05
Tax impact of reconciling items***	\$ (0.01)	\$ (0.01)	\$ (0.01)
Non-GAAP net income (loss) per share - diluted	<u>\$ (0.04)</u>	<u>\$ (0.13)</u>	<u>\$ 0.02</u>
Shares used in computing diluted earnings per share	82,224	82,449	91,815

*Acquisition-related costs relates to payments due under the terms of the Widerweb acquisition. Amortization relates to acquired intangible assets.

**Relates to legal fees regarding the stock option lawsuits, proxy contests and strategic alternatives.

***The tax impact relates to amortization of acquisition-related intangibles and tax benefits related to stock-based compensation.

OPENWAVE SYSTEMS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS-UNAUDITED
(in thousands)

	Three Months Ended		
	September 30, 2007	June 30, 2007	September 30, 2006
Operating activities:			
Net loss	\$ (14,145)	\$ (123,814)	\$ (24,537)
Reconciling items:			
Depreciation, amortization of intangibles and stock-based compensation	7,700	10,242	13,720
Non-cash restructuring charges	532	258	1,360
Recovery for doubtful accounts	(773)	(347)	-
Other non-cash expenses, net	(798)	(630)	(2,787)
Proceeds from sale of technology	-	-	(1,287)
Impairment of goodwill and other intangibles	-	87,968	-
Changes in operating assets and liabilities, net of effect of acquisitions	(2,962)	25,037	7,567
Net cash used for operating activities	<u>(10,446)</u>	<u>(1,286)</u>	<u>(5,964)</u>
Investing activities:			
Purchases of property and equipment, net	(1,917)	(1,182)	(4,655)
Proceeds from sale of non-operating assets	1,065	-	1,287
Proceeds (purchases) of investments, net	56,670	87,328	(17,558)
Restricted cash and investments	(195)	(519)	2,045
Net cash (used for) provided by investing activities	<u>55,623</u>	<u>85,627</u>	<u>(18,881)</u>
Financing activities:			
Net proceeds from issuance of common stock	58	245	138
Cash used to repurchase stock from employees	(505)	-	(113)
Employee stock purchase plan	-	1,070	-
Stock buy back and dividend payment	-	(99,394)	-
Cash (used for) provided by financing activities	<u>(447)</u>	<u>(98,079)</u>	<u>25</u>
Effect of exchange rates on cash and cash equivalents	-	135	21
Net increase (decrease) in cash and cash equivalents	<u>44,730</u>	<u>(13,603)</u>	<u>(24,799)</u>
Cash and cash equivalents at beginning of period	86,099	99,702	172,546
Cash and cash equivalents at end of period, including discontinued operations	<u>\$ 130,829</u>	<u>\$ 86,099</u>	<u>\$ 147,747</u>
Cash and cash equivalents included in discontinued operations	<u>(3,451)</u>	<u>(5,518)</u>	<u>(3,870)</u>
Cash and cash equivalents at end of period	<u>\$ 127,378</u>	<u>\$ 80,581</u>	<u>\$ 143,877</u>

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