

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

	September 30, 2008	June 30, 2008
Assets		
Current Assets:		
Cash, cash equivalents and short-term investments	\$ 88,207	\$ 224,809
Restricted cash	-	42
Accounts receivable, net	57,396	78,550
Prepaid and other current assets	34,797	33,404
Insurance receivable for legal settlement	15,000	15,000
Amounts receivable from sales of discontinued operations	2,328	12,294
Total current assets	197,728	364,099
Property and equipment, net	12,537	13,941
Long-term investments and restricted cash and investments	39,168	52,419
Deposits and other assets	7,910	7,762
Goodwill and intangible assets, net	65,368	66,523
Total assets	\$ 322,711	\$ 504,744
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 4,261	\$ 4,918
Accrued liabilities	33,569	46,329
Accrued legal settlement	20,000	20,000
Accrued restructuring costs	12,151	13,845
Deferred revenue	44,209	48,239
Convertible subordinated notes, net	-	149,842
Total current liabilities	114,190	283,173
Accrued restructuring costs, less current portion	40,163	41,927
Deferred revenue, less current portion	16,819	17,655
Deferred rent obligations and long-term taxes payable	7,551	7,876
Deferred tax liabilities, net	-	98
Total liabilities	178,723	350,729
Stockholders' equity	143,988	154,015
Total liabilities and stockholders' equity	\$ 322,711	\$ 504,744

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OPENWAVE SYSTEMS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS-UNAUDITED

(In thousands, except per share data)

	Three Months Ended		
	September 30, 2008	June 30, 2008	September 30, 2007
Revenues:			
License	\$ 14,327	\$ 13,477	\$ 12,619
Maintenance and support	16,378	20,217	18,557
Services	20,340	19,793	21,794
Total revenues	<u>51,045</u>	<u>53,487</u>	<u>52,970</u>
Cost of revenues:			
License	1,154	816	835
Maintenance and support	4,241	4,558	6,345
Services	14,447	14,177	16,582
Amortization of intangible assets	1,129	1,130	1,289
Total cost of revenues	<u>20,971</u>	<u>20,681</u>	<u>25,051</u>
Gross profit	<u>30,074</u>	<u>32,806</u>	<u>27,919</u>
Operating Expenses:			
Research and development	12,160	12,303	12,199
Sales and marketing	10,744	14,143	17,420
General and administrative	10,620	15,835	13,719
Legal settlement cost	-	5,000	-
Restructuring and other related costs	1,903	1,253	1,208
Acquisition-related costs and amortization	152	153	142
Total operating expenses	<u>35,579</u>	<u>48,687</u>	<u>44,688</u>
Operating loss from continuing operations	(5,505)	(15,881)	(16,769)
Interest and other income (expense), net	(6,496)	(651)	2,904
Pre-tax loss from continuing operations	<u>(12,001)</u>	<u>(16,532)</u>	<u>(13,865)</u>
Income taxes	503	1,519	643
Net loss from continuing operations	(12,504)	(18,051)	(14,508)
Net income from discontinued operations, net of tax	-	473	363
Gain on sale of discontinued operation	2,000	19,735	-
Net income (loss)	<u>\$ (10,504)</u>	<u>\$ 2,157</u>	<u>\$ (14,145)</u>
Basic and diluted net income (loss) per share from:			
Continuing operations	\$ (0.15)	\$ (0.21)	\$ (0.17)
Discontinued operation	0.02	0.24	-
Net income (loss) per share	<u>\$ (0.13)</u>	<u>\$ 0.03</u>	<u>\$ (0.17)</u>
Shares used in basic and diluted net income (loss) per share	82,773	82,682	82,224
Stock-based compensation by category:			
Maintenance and support	\$ 72	\$ 48	\$ 166
Services	166	181	270
Research and development	250	154	322
Sales and marketing	132	258	794
General and administrative	351	371	656
Discontinued operations	-	34	281
	<u>\$ 971</u>	<u>\$ 1,046</u>	<u>\$ 2,489</u>

OPENWAVE SYSTEMS INC.
RECONCILIATION OF GAAP NET INCOME (LOSS) TO NON-GAAP NET LOSS
(In thousands, except per share data)

	Three Months Ended		
	September 30, 2008	June 30, 2008	September 30, 2007
Reconciliation between GAAP and Non-GAAP net income (loss):			
Net income (loss)	\$ (10,504)	\$ 2,157	\$ (14,145)
Exclude:			
Restructuring and other related costs	1,903	1,253	1,208
Acquisition-related costs and amortization(a)	1,281	1,283	1,431
Amortization of stock-based compensation	971	1,012	2,208
Professional fees associated with unusual events(b)	2,004	11,504	1,374
Retention bonuses related to strategic alternatives	-	-	3,113
Discontinued operations, net of tax	(2,000)	(20,208)	(363)
Other-than-temporary impairments of investments	5,632	1,206	-
Tax impact of reconciling items(c)	(293)	(111)	(385)
Non-GAAP net loss	<u>\$ (1,006)</u>	<u>\$ (1,904)</u>	<u>\$ (5,559)</u>
GAAP net income (loss) per share - diluted	\$ (0.13)	\$ 0.03	\$ (0.17)
Exclude:			
Restructuring and other related costs	\$ 0.02	\$ 0.01	\$ 0.01
Acquisition-related costs and amortization(a)	\$ 0.02	\$ 0.02	\$ 0.02
Amortization of stock-based compensation	\$ 0.01	\$ 0.01	\$ 0.03
Professional fees associated with unusual events(b)	\$ 0.02	\$ 0.14	\$ 0.02
Retention bonuses related to strategic alternatives	\$ -	\$ -	\$ 0.03
Discontinued operations, net of tax	\$ (0.02)	\$ (0.24)	\$ -
Other-than-temporary impairments of investments	\$ 0.07	\$ 0.01	\$ -
Tax impact of reconciling items(c)	\$ -	\$ -	\$ (0.01)
Non-GAAP net loss per share - diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.07)</u>
Shares used in computing diluted earnings per share	82,773	82,682	82,224

(a)Acquisition-related costs relates to retention-based consideration under the terms of the Widerweb and Solomio acquisitions. Amortization relates to acquired intangible assets.

(b)Relates to legal fees regarding the stock option lawsuits, special investigation, proxy contests and strategic alternatives, net of insurance reimbursement. The June 30, 2008 amount includes a \$5.0 million estimated legal settlement.

(c)The tax impact relates to amortization of intangibles and tax benefits related to stock-based compensation.

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

	Three Months Ended		
	September 30, 2008	June 30, 2008	September 30, 2007
Operating activities:			
Net income (loss)	\$ (10,504)	\$ 2,157	\$ (14,145)
Gain on sale of discontinued operation	(2,000)	(19,735)	-
Reconciling items:			
Depreciation, amortization of intangibles and stock-based compensation	3,770	5,524	7,700
Non-cash restructuring charges	682	1,024	532
Provision for (recovery of) doubtful accounts	37	525	(773)
Other non-cash items, net	147	907	(798)
Other-than-temporary impairments of investments	5,632	1,206	-
Changes in operating assets and liabilities	(687)	(5,998)	(2,962)
Net cash used for operating activities	<u>(2,923)</u>	<u>(14,390)</u>	<u>(10,446)</u>
Investing activities:			
Purchases of property and equipment, net	(477)	(1,296)	(1,917)
Proceeds from sale of technology and other	-	-	1,065
Sale of discontinued operation, net	9,718	20,000	-
Payments and restricted cash related to prior acquisitions	-	(438)	-
Proceeds of investments, net	8,969	11,830	56,670
Restricted cash and investments	-	-	(195)
Net cash provided by investing activities	<u>18,210</u>	<u>30,096</u>	<u>55,623</u>
Financing activities:			
Payment on notes payable	(150,000)	-	-
Net proceeds from issuance of common stock	-	-	58
Cash used to repurchase stock from employees	-	1	(505)
Employee stock purchase plan	-	284	-
Cash provided by (used for) financing activities	<u>(150,000)</u>	<u>285</u>	<u>(447)</u>
Net increase (decrease) in cash and cash equivalents	(134,713)	15,991	44,730
Cash and cash equivalents at beginning of period	196,150	180,159	86,099
Cash and cash equivalents at end of period, including discontinued operations	<u>\$ 61,437</u>	<u>\$ 196,150</u>	<u>\$ 130,829</u>