

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

	December 31, 2007	June 30, 2007
Assets		
Current Assets:		
Cash, cash equivalents and short-term investments	\$ 231,789	\$ 240,644
Restricted cash	242	2,061
Accounts receivable, net	51,020	72,894
Prepaid and other current assets	24,760	30,482
Note receivable from sale of discontinued operation	5,883	-
Current assets of discontinued operation	-	19,039
Total current assets	313,694	365,120
Property and equipment, net	17,156	19,834
Long-term investments and restricted cash and investments	60,764	37,944
Deposits and other assets	7,294	4,575
Goodwill and intangible assets, net	83,242	86,162
Noncurrent assets of discontinued operation	-	34,652
Total assets	\$ 482,150	\$ 548,287
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 2,648	\$ 10,288
Accrued liabilities	49,701	56,344
Accrued restructuring costs	13,220	26,118
Deferred revenue	44,547	46,342
Convertible subordinated notes, net	149,430	-
Current liabilities of discontinued operation	-	18,837
Total current liabilities	259,546	157,929
Accrued restructuring costs, less current portion	46,478	51,140
Deferred revenue, less current portion	8,899	11,917
Deferred rent obligations and long-term taxes payable	3,839	1,649
Deferred tax liabilities, net	624	1,349
Convertible subordinated notes, net	-	149,017
Noncurrent liabilities of discontinued operation	-	5,034
Total liabilities	319,386	378,035
Stockholders' equity	162,764	170,252
Total liabilities and stockholders' equity	\$ 482,150	\$ 548,287

(more)

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

	Three Months Ended			Six Months Ended	
	December 31,	September 30,	December 31,	December 31,	December 31,
	2007	2007	2006	2007	2006
Revenues:					
License	\$ 16,827	\$ 17,323	\$ 24,789	\$ 34,150	\$ 54,359
Maintenance and support	20,887	21,644	22,833	42,531	45,646
Services	25,467	24,005	28,070	49,472	59,498
Total revenues	<u>63,181</u>	<u>62,972</u>	<u>75,692</u>	<u>126,153</u>	<u>159,503</u>
Cost of revenues:					
License	1,010	842	737	1,852	2,542
Maintenance and support	7,702	8,303	8,053	16,005	15,861
Services	20,012	18,100	20,802	38,112	43,176
Amortization of intangible assets	2,035	2,054	1,967	4,089	3,485
Total cost of revenues	<u>30,759</u>	<u>29,299</u>	<u>31,559</u>	<u>60,058</u>	<u>65,064</u>
Gross profit	<u>32,422</u>	<u>33,673</u>	<u>44,133</u>	<u>66,095</u>	<u>94,439</u>
Operating Expenses:					
Research and development	14,822	14,927	17,807	29,749	36,065
Sales and marketing	19,300	18,533	24,471	37,833	49,522
General and administrative	10,109	13,920	16,986	24,029	32,456
Stock option review and associated costs	-	-	750	-	6,242
Restructuring and other related costs	328	1,208	2,024	1,536	12,524
Acquisition-related costs and amortization	1,093	829	713	1,922	1,427
Gain on sale of technology	-	-	-	-	(1,287)
Total operating expenses	<u>45,652</u>	<u>49,417</u>	<u>62,751</u>	<u>95,069</u>	<u>136,949</u>
Operating loss from continuing operations	(13,230)	(15,744)	(18,618)	(28,974)	(42,510)
Interest and other (expense), net	2,479	2,904	4,945	5,383	10,843
Pre-tax loss from continuing operations	<u>(10,751)</u>	<u>(12,840)</u>	<u>(13,673)</u>	<u>(23,591)</u>	<u>(31,667)</u>
Income taxes	544	954	1,319	1,498	3,390
Net loss from continuing operations	<u>(11,295)</u>	<u>(13,794)</u>	<u>(14,992)</u>	<u>(25,089)</u>	<u>(35,057)</u>
Net loss from discontinued operation, net of tax	(286)	(351)	(784)	(637)	(5,256)
Gain on sale of discontinued operation	16,455	-	-	16,455	-
Net income (loss)	<u>\$ 4,874</u>	<u>\$ (14,145)</u>	<u>\$ (15,776)</u>	<u>\$ (9,271)</u>	<u>\$ (40,313)</u>
Basic and diluted net income (loss) per share from:					
Continuing operations	\$ (0.14)	\$ (0.17)	\$ (0.16)	\$ (0.30)	\$ (0.37)
Discontinued operation	0.20	-	(0.01)	0.19	(0.06)
Net income (loss) per share	<u>\$ 0.06</u>	<u>\$ (0.17)</u>	<u>\$ (0.17)</u>	<u>\$ (0.11)</u>	<u>\$ (0.43)</u>
Shares used in basic and diluted net income (loss)	82,397	82,224	93,352	82,310	93,189
Stock-based compensation by category:					
Maintenance and support	\$ 415	\$ 200	\$ 423	\$ 615	\$ 605
Services	510	300	541	810	824
Research and development	819	380	673	1,199	1,247
Sales and marketing	878	807	2,151	1,685	4,679
General and administrative	802	657	2,664	1,459	4,642
Restructuring and other related costs	-	-	1,687	-	1,687
Discontinued operation	139	145	93	284	254
	<u>\$ 3,563</u>	<u>\$ 2,489</u>	<u>\$ 8,232</u>	<u>\$ 6,052</u>	<u>\$ 13,938</u>

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

	Three Months Ended			Six Months Ended	
	December 31,	September 30,	December 31,	December 31,	December 31,
	2007	2007	2006	2007	2006
Reconciliation between GAAP and Non-GAAP net income (loss):					
Net income (loss)	\$ 4,874	\$ (14,145)	\$ (15,776)	\$ (9,271)	\$ (40,313)
Exclude:					
Restructuring and other related costs	328	1,208	2,024	1,536	12,524
Acquisition-related costs and amortization(a)	3,128	2,883	2,680	6,011	4,912
Amortization of stock-based compensation	3,424	2,344	6,452	5,768	11,997
Professional fees associated with unusual events(b)	337	1,374	750	1,711	6,242
Retention bonuses related to strategic alternatives	-	3,398	-	3,398	-
Gain on sale of technology	-	-	-	-	(1,287)
Discontinued operation, net of tax	286	351	784	637	5,256
Gain on sale of discontinued operation	(16,455)	-	-	(16,455)	-
Tax impact of reconciling items(c)	(822)	(821)	(877)	(1,643)	(1,690)
Non-GAAP net loss	<u>\$ (4,900)</u>	<u>\$ (3,408)</u>	<u>\$ (3,963)</u>	<u>\$ (8,308)</u>	<u>\$ (2,359)</u>
GAAP net income (loss) per share - diluted	\$ 0.06	\$ (0.17)	\$ (0.17)	\$ (0.11)	\$ (0.43)
Exclude:					
Restructuring and other related costs	\$ -	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.13
Acquisition-related costs and amortization(a)	\$ 0.04	\$ 0.04	\$ 0.03	\$ 0.07	\$ 0.05
Amortization of stock-based compensation	\$ 0.05	\$ 0.03	\$ 0.07	\$ 0.07	\$ 0.12
Professional fees associated with unusual events(b)	\$ -	\$ 0.02	\$ 0.01	\$ 0.02	\$ 0.07
Retention bonuses related to strategic alternatives	\$ -	\$ 0.04	\$ -	\$ 0.04	\$ -
Gain on sale of technology	\$ -	\$ -	\$ -	\$ -	\$ (0.01)
Discontinued operation, net of tax	\$ -	\$ -	\$ 0.01	\$ -	\$ 0.06
Gain on sale of discontinued operation	\$ (0.20)	\$ -	\$ -	\$ (0.19)	\$ -
Tax impact of reconciling items(c)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Non-GAAP net loss per share - diluted	<u>\$ (0.06)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.10)</u>	<u>\$ (0.03)</u>
Shares used in computing diluted earnings per share	82,397	82,224	93,352	82,310	93,189

(a) Acquisition-related costs relates to payments due 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, proxy contests and strategic alternatives.

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

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