

OPENWAVE SYSTEMS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS-UNAUDITED

(In thousands)

	December 31, 2008	June 30, 2008
Assets		
Current Assets:		
Cash, cash equivalents and short-term investments	\$ 83,391	\$ 224,809
Restricted cash	-	42
Accounts receivable, net	54,618	78,550
Prepaid and other current assets	27,930	33,404
Insurance receivable for legal settlement	-	15,000
Amounts receivable from sales of discontinued operations	75	12,294
Total current assets	166,014	364,099
Property and equipment, net	11,003	13,941
Long-term investments and restricted cash and investments	35,623	52,419
Deposits and other assets	8,657	7,762
Goodwill and intangible assets, net	4,958	66,523
Total assets	\$ 226,255	\$ 504,744
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 4,221	\$ 4,918
Accrued liabilities	21,171	46,329
Accrued legal settlement	-	20,000
Accrued restructuring costs	12,226	13,845
Deferred revenue	42,592	48,239
Convertible subordinated notes, net	-	149,842
Total current liabilities	80,210	283,173
Accrued restructuring costs, less current portion	37,764	41,927
Deferred revenue, less current portion	20,008	17,655
Deferred rent obligations and long-term taxes payable	5,093	7,876
Deferred tax liabilities, net	-	98
Total liabilities	143,075	350,729
Stockholders' equity	83,180	154,015
Total liabilities and stockholders' equity	\$ 226,255	\$ 504,744

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

	Three Months Ended			Six Months Ended	
	December 31, 2008	September 30, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Revenues:					
License	\$ 13,849	\$ 14,327	\$ 10,433	\$ 28,176	\$ 23,052
Maintenance and support	15,917	16,378	17,580	32,295	36,137
Services	18,298	20,340	19,415	38,638	41,209
Total revenues	<u>48,064</u>	<u>51,045</u>	<u>47,428</u>	<u>99,109</u>	<u>100,398</u>
Cost of revenues:					
License	475	1,154	1,003	1,629	1,838
Maintenance and support	4,507	4,241	5,613	8,748	11,958
Services	13,439	14,447	15,335	27,886	31,917
Amortization of intangible assets	1,103	1,129	1,270	2,232	2,559
Total cost of revenues	<u>19,524</u>	<u>20,971</u>	<u>23,221</u>	<u>40,495</u>	<u>48,272</u>
Gross profit	<u>28,540</u>	<u>30,074</u>	<u>24,207</u>	<u>58,614</u>	<u>52,126</u>
Operating Expenses:					
Research and development	11,929	12,160	12,299	24,089	24,498
Sales and marketing	10,032	10,744	17,915	20,776	35,335
General and administrative	7,808	10,620	9,904	18,428	23,623
Restructuring and other related costs	427	1,903	328	2,330	1,536
Acquisition-related costs and amortization	152	152	406	304	548
Impairment of goodwill	57,012	-	-	57,012	-
Total operating expenses	<u>87,360</u>	<u>35,579</u>	<u>40,852</u>	<u>122,939</u>	<u>85,540</u>
Operating loss from continuing operations	(58,820)	(5,505)	(16,645)	(64,325)	(33,414)
Interest and other income (expense), net	(1,436)	(6,496)	2,479	(7,932)	5,383
Pre-tax loss from continuing operations	(60,256)	(12,001)	(14,166)	(72,257)	(28,031)
Income taxes	1,029	503	493	1,532	1,136
Net loss from continuing operations	(61,285)	(12,504)	(14,659)	(73,789)	(29,167)
Net income (loss) from discontinued operations, net of tax	(371)	-	3,078	(371)	3,441
Gain on sale of discontinued operations	-	2,000	16,455	2,000	16,455
Net income (loss)	<u>\$ (61,656)</u>	<u>\$ (10,504)</u>	<u>\$ 4,874</u>	<u>\$ (72,160)</u>	<u>\$ (9,271)</u>
Basic and diluted net income (loss) per share from:					
Continuing operations	\$ (0.74)	\$ (0.15)	\$ (0.18)	\$ (0.89)	\$ (0.35)
Discontinued operations	-	0.02	0.24	0.02	0.24
Net income (loss) per share	<u>\$ (0.74)</u>	<u>\$ (0.13)</u>	<u>\$ 0.06</u>	<u>\$ (0.87)</u>	<u>\$ (0.11)</u>
Shares used in basic and diluted net income (loss) per share	82,855	82,773	82,397	82,814	82,310
Stock-based compensation by category:					
Maintenance and support	\$ 35	\$ 72	\$ 318	\$ 107	\$ 484
Services	179	166	509	345	779
Research and development	377	250	757	627	1,079
Sales and marketing	166	132	856	298	1,650
General and administrative	172	351	797	523	1,453
Discontinued operations	-	-	326	-	607
	<u>\$ 929</u>	<u>\$ 971</u>	<u>\$ 3,563</u>	<u>\$ 1,900</u>	<u>\$ 6,052</u>

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

(In thousands, except per share data)

	Three Months Ended			Six Months Ended	
	December 31,	September 30,	December 31,	December 31,	December 31,
	2008	2008	2007	2008	2007
Reconciliation between GAAP and Non-GAAP net income (loss):					
Net income (loss)	\$ (61,656)	\$ (10,504)	\$ 4,874	\$ (72,160)	\$ (9,271)
Exclude:					
Restructuring and other related costs	427	1,903	328	2,330	1,536
Acquisition-related costs and amortization(a)	1,255	1,281	1,676	2,536	3,107
Amortization of stock-based compensation	929	971	3,237	1,900	5,445
Professional fees associated with unusual events(b)	743	2,004	337	2,747	1,711
Retention bonuses related to strategic alternatives	-	-	-	-	3,113
Discontinued operations, net of tax	371	(2,000)	(19,533)	(1,629)	(19,896)
Other-than-temporary impairments of investments	2,536	5,632	124	8,168	124
Impairment of goodwill	57,012	-	-	57,012	-
Tax impact of reconciling items(c)	(267)	(293)	(327)	(560)	(711)
Non-GAAP net income (loss)	<u>\$ 1,350</u>	<u>\$ (1,006)</u>	<u>\$ (9,284)</u>	<u>\$ 344</u>	<u>\$ (14,842)</u>
GAAP net income (loss) per share - diluted	\$ (0.74)	\$ (0.13)	\$ 0.06	\$ (0.87)	\$ (0.11)
Exclude:					
Restructuring and other related costs	\$ 0.01	\$ 0.02	\$ -	\$ 0.03	\$ 0.02
Acquisition-related costs and amortization(a)	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.03
Amortization of stock-based compensation	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.02	\$ 0.07
Professional fees associated with unusual events(b)	\$ 0.01	\$ 0.02	\$ 0.01	\$ 0.03	\$ 0.02
Retention bonuses related to strategic alternatives	\$ -	\$ -	\$ -	\$ -	\$ 0.04
Discontinued operations, net of tax	\$ -	\$ (0.02)	\$ (0.24)	\$ (0.02)	\$ (0.24)
Other-than-temporary impairments of investments	\$ 0.03	\$ 0.07	\$ -	\$ 0.10	\$ -
Impairment of goodwill	\$ 0.69	\$ -	\$ -	\$ 0.69	\$ -
Tax impact of reconciling items(c)	\$ -	\$ -	\$ -	\$ (0.01)	\$ (0.01)
Non-GAAP net income (loss) per share - diluted	<u>\$ 0.02</u>	<u>\$ (0.01)</u>	<u>\$ (0.11)</u>	<u>\$ -</u>	<u>\$ (0.18)</u>
Shares used in computing diluted earnings per share	82,855	82,773	82,397	82,814	82,310

(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 and special investigation, net of insurance reimbursements.

(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			Six Months Ended	
	December 31, 2008	September 30, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Operating activities:					
Net income (loss)	\$ (61,656)	\$ (10,504)	\$ 4,874	\$ (72,160)	\$ (9,271)
Gain on sale of discontinued operation	-	(2,000)	(16,455)	(2,000)	(16,455)
Reconciling items:					
Depreciation, amortization of intangibles and stock-based compensation	3,781	3,770	8,719	7,551	16,419
Non-cash restructuring charges	429	682	513	1,111	1,045
Provision for (recovery of) doubtful accounts	(202)	37	(646)	(165)	(1,419)
Other non-cash items, net	63	147	(633)	210	(1,431)
Payment of legal settlement	(5,000)	-	-	(5,000)	-
Other-than-temporary impairments of investments	2,536	5,632	124	8,168	124
Goodwill impairment	57,012	-	-	57,012	-
Changes in operating assets and liabilities	(4,477)	(687)	(14,185)	(5,164)	(17,147)
Net cash used for operating activities	<u>(7,514)</u>	<u>(2,923)</u>	<u>(17,689)</u>	<u>(10,437)</u>	<u>(28,135)</u>
Investing activities:					
Purchases of property and equipment, net	(23)	(477)	(1,418)	(500)	(3,335)
Proceeds from sale of non-operating assets	-	-	-	-	1,065
Sale of discontinued operation, net	1,916	9,718	39,382	11,634	39,382
Payments and restricted cash related to prior acquisitions	-	-	(546)	-	(546)
Proceeds of investments, net	10,264	8,969	8,814	19,233	65,484
Reclass of cash equivalents to short term investments	-	-	(9,796)	-	(9,796)
Restricted cash and investments	-	-	420	-	225
Net cash provided by investing activities	<u>12,157</u>	<u>18,210</u>	<u>36,856</u>	<u>30,367</u>	<u>92,479</u>
Financing activities:					
Payment on notes payable	-	(150,000)	(113)	(150,000)	(113)
Net proceeds from issuance of common stock	-	-	30	-	88
Cash used to repurchase stock from employees	-	-	-	-	(505)
Employee stock purchase plan	73	-	536	73	536
Cash provided by (used for) financing activities	<u>73</u>	<u>(150,000)</u>	<u>453</u>	<u>(149,927)</u>	<u>6</u>
Net increase (decrease) in cash and cash equivalents	4,716	(134,713)	19,620	(129,997)	64,350
Cash and cash equivalents at beginning of period	61,437	196,150	130,829	196,150	86,099
Cash and cash equivalents at end of period, including discontinued operations	<u>\$ 66,153</u>	<u>\$ 61,437</u>	<u>\$ 150,449</u>	<u>\$ 66,153</u>	<u>\$ 150,449</u>

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