

# OPENWAVE®

Unaudited	FY06 Q4 Jun-06	FY07 Q1 Sep-06	FY07 Q2 Dec-06	FY07 Q3 Mar-07	FY07 Q4 Jun-07	FY08 Q1 Sep-07	FY08 Q2 Dec-07	FY08 Q3 Mar-08	Notes
<b>Supplemental Analysis of Operations (\$ in thousands except shares and per share data)</b>									
<b>Revenues</b>									
License	37,797	29,570	24,789	14,946	19,402	17,323	16,827	18,394	
Maintenance and support	22,821	22,813	22,833	22,917	22,443	21,644	20,887	18,768	
Professional services	20,425	25,301	25,990	22,712	23,376	19,661	19,055	17,367	
Project / Systems	2,466	6,127	2,080	2,129	2,873	4,344	6,412	3,514	
<b>Total revenues</b>	<b>83,509</b>	<b>83,811</b>	<b>75,692</b>	<b>62,704</b>	<b>68,094</b>	<b>62,972</b>	<b>63,182</b>	<b>58,043</b>	
<b>Cost of revenues</b>									
License	1,901	1,805	737	872	1,510	842	1,010	988	(1)
Maintenance and support	6,839	7,626	7,630	8,924	8,647	7,807	7,287	6,940	(1)
Professional services	15,245	19,693	18,983	17,242	15,199	15,347	16,303	12,570	(1)
Project / Systems	630	2,398	1,278	817	2,528	1,967	3,199	1,856	
Amortization of purchased technology and contract intangibles	1,519	1,518	1,967	2,002	2,056	2,054	2,035	1,895	(1)
Stock based compensation and retention bonuses	550	465	964	478	827	1,282	925	400	(1)
<b>Total cost of revenues</b>	<b>26,684</b>	<b>33,505</b>	<b>31,559</b>	<b>30,335</b>	<b>30,767</b>	<b>29,299</b>	<b>30,759</b>	<b>24,649</b>	
<b>Gross profit</b>	<b>56,825</b>	<b>50,306</b>	<b>44,133</b>	<b>32,369</b>	<b>37,327</b>	<b>33,673</b>	<b>32,422</b>	<b>33,394</b>	
<b>Operating expenses</b>									
Research and development	18,563	17,684	17,134	17,263	16,227	14,183	14,003	15,165	(1)
Sales and marketing	24,540	22,523	22,320	23,779	22,918	16,636	18,422	16,043	(1)
General and administrative	13,082	13,492	14,322	14,296	12,411	10,727	8,970	7,650	(1)
Professional fees associated with unusual events	341	5,492	750	2,920	3,314	1,374	337	(710)	(9)
Restructuring and related costs	(3,047)	10,500	2,024	576	15,857	1,208	328	5,852	
Acquisition-related costs and amortization of other intangibles	713	714	713	774	823	829	1,093	827	(1)
Stock based compensation and retention bonuses	8,158	5,080	5,488	4,381	5,523	4,460	2,499	1,510	(1)
Gain on sales of technology	-	(1,287)	-	-	-	-	-	-	
<b>Total operating expenses</b>	<b>62,350</b>	<b>74,198</b>	<b>62,751</b>	<b>63,989</b>	<b>77,073</b>	<b>49,417</b>	<b>45,652</b>	<b>46,337</b>	
<b>Operating income (loss) from continuing operations</b>	<b>(5,526)</b>	<b>(23,892)</b>	<b>(18,618)</b>	<b>(31,620)</b>	<b>(39,746)</b>	<b>(15,744)</b>	<b>(13,230)</b>	<b>(12,943)</b>	
Interest and other, net	4,267	5,898	4,945	4,020	3,430	2,904	2,479	(1,091)	
Impairment of nonmarketable equity securities	(428)	-	-	(1,185)	1,065	-	-	-	
<b>Income (loss) from continuing operations before income taxes</b>	<b>(1,687)</b>	<b>(17,994)</b>	<b>(13,673)</b>	<b>(28,785)</b>	<b>(35,251)</b>	<b>(12,840)</b>	<b>(10,751)</b>	<b>(14,034)</b>	
Income taxes	489	2,071	1,319	1,347	1,807	954	544	714	
<b>Net income (loss) from continuing operations</b>	<b>(2,176)</b>	<b>(20,065)</b>	<b>(14,992)</b>	<b>(30,132)</b>	<b>(37,058)</b>	<b>(13,794)</b>	<b>(11,295)</b>	<b>(14,748)</b>	
<b>Diluted net income (loss) from continuing operations per share</b>	<b>(0.02)</b>	<b>(0.22)</b>	<b>(0.16)</b>	<b>(0.33)</b>	<b>(0.45)</b>	<b>(0.17)</b>	<b>(0.14)</b>	<b>(0.18)</b>	
Net loss from discontinued operations	(2,926)	(4,472)	(784)	(2,378)	(86,756)	(351)	16,169	-	
<b>Net income (loss)</b>	<b>(5,102)</b>	<b>(24,537)</b>	<b>(15,776)</b>	<b>(32,510)</b>	<b>(123,814)</b>	<b>(14,146)</b>	<b>4,874</b>	<b>(14,748)</b>	
<b>Diluted net income (loss) per share</b>	<b>(0.06)</b>	<b>(0.27)</b>	<b>(0.17)</b>	<b>(0.35)</b>	<b>(1.50)</b>	<b>(0.17)</b>	<b>0.06</b>	<b>(0.18)</b>	
Shares used in computing GAAP net income (loss) per share	91,709	91,815	93,352	92,114	82,449	82,224	82,397	82,557	(2)

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<b>Unaudited</b>									
<b>Pro Forma (\$ in thousands except shares and per share data)</b>									
GAAP net income (loss)	(5,102)	(24,537)	(15,776)	(32,510)	(123,814)	(14,146)	4,874	(14,748)	
Add back:									
Restructuring and related costs	(3,047)	10,500	2,024	576	17,548	1,208	328	5,852	
Acquisition-related costs and amortization	2,232	2,232	2,680	2,776	2,879	2,883	3,128	2,722	
Stock option review and related costs	341	5,492	750	540	-	-	-	-	
Stock based compensation	8,708	5,545	6,452	4,450	1,442	2,344	3,424	1,910	
Professional fees associated with unusual events	-	-	-	2,380	3,314	1,374	337	(710)	(8)
Retention bonuses related to strategic alternatives	-	-	-	409	3,217	3,398	-	-	
Gain on sale of technology	-	(1,287)	-	-	-	-	-	-	
Impairment of non-marketable equity securities	428	-	-	1,185	(1,065)	-	124	2,383	
Acquisition-related hedging costs	-	-	-	-	-	-	-	-	
Discontinued operations	2,926	4,472	784	2,378	86,756	351	(16,169)	-	(10)
Tax impact of the above reconciling items	(1,770)	(813)	(877)	(792)	(826)	(821)	(822)	(660)	
<b>Pro Forma net income</b>	<b>4,716</b>	<b>1,604</b>	<b>(3,963)</b>	<b>(18,608)</b>	<b>(10,549)</b>	<b>(3,408)</b>	<b>(4,776)</b>	<b>(3,251)</b>	
Add back interest expense	-	-	-	-	-	-	-	-	
Numerator for fully diluted non-GAAP earnings per share	4,716	1,604	(3,963)	(18,608)	(10,549)	(3,408)	(4,776)	(3,251)	
<b>Fully diluted pro forma net income per share</b>	<b>0.05</b>	<b>0.02</b>	<b>(0.04)</b>	<b>(0.20)</b>	<b>(0.13)</b>	<b>(0.04)</b>	<b>(0.06)</b>	<b>(0.04)</b>	
<b>% of Revenue</b>									
License revenues	45.3%	35.3%	32.7%	23.8%	28.4%	27.5%	26.6%	31.6%	(1)
Maintenance and support revenues	27.3%	27.2%	30.2%	36.5%	33.0%	34.4%	33.1%	32.3%	(1)
Professional services revenues	24.5%	30.2%	34.3%	36.2%	34.3%	31.2%	30.2%	29.9%	(1)
Project / Systems revenues	3.0%	7.3%	2.7%	3.4%	4.2%	6.9%	10.1%	6.1%	
License gross margin	95.0%	93.9%	97.0%	94.2%	92.2%	95.1%	94.0%	94.6%	(1)
Maintenance and support gross margin	70.0%	66.6%	66.6%	61.1%	61.5%	63.9%	65.1%	63.0%	(1)
Professional services gross margin	25.4%	22.2%	27.0%	24.1%	35.0%	21.9%	14.4%	27.6%	(1)
Project / Systems gross margin	74.4%	60.9%	38.6%	61.6%	12.0%	54.7%	50.1%	47.2%	
<b>Total gross margin, excluding stock-based compensation and amortization of intangibles</b>	<b>70.5%</b>	<b>62.4%</b>	<b>62.2%</b>	<b>55.6%</b>	<b>59.1%</b>	<b>58.8%</b>	<b>56.0%</b>	<b>61.5%</b>	
Research and development, excluding stock-based compensation	22.2%	21.1%	22.6%	27.5%	23.8%	22.5%	22.2%	26.1%	(1)
Sales and marketing, excluding stock-based compensation	29.4%	26.9%	29.5%	37.9%	33.7%	26.4%	29.2%	27.6%	(1)
General and administrative, excluding stock-based compensation	15.7%	16.1%	18.9%	22.8%	18.2%	17.0%	14.2%	13.2%	(1)
Other operating expenses	7.4%	24.5%	11.9%	13.8%	37.5%	12.5%	6.7%	12.9%	(7)
<b>Total operating expenses, excl. stock-based compensation and other operating expenses</b>	<b>67.3%</b>	<b>64.1%</b>	<b>71.0%</b>	<b>88.3%</b>	<b>75.7%</b>	<b>66.0%</b>	<b>65.5%</b>	<b>66.9%</b>	(7)
<b>Operating profit / loss</b>	<b>-6.6%</b>	<b>-28.5%</b>	<b>-24.6%</b>	<b>-50.4%</b>	<b>-58.4%</b>	<b>-25.0%</b>	<b>-20.9%</b>	<b>-22.3%</b>	
<b>Net profit / loss</b>	<b>-2.6%</b>	<b>-23.9%</b>	<b>-19.8%</b>	<b>-48.1%</b>	<b>-54.4%</b>	<b>-21.9%</b>	<b>-17.9%</b>	<b>-25.4%</b>	

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<b>Unaudited</b>									
<b>% Qtr over Qtr Growth</b>									
License revenues	-35%	-22%	-16%	-40%	30%	-11%	-3%	9%	
Maintenance and support revenues	2%	0%	0%	0%	-2%	-4%	-3%	-10%	
Professional services revenues	-12%	24%	3%	-13%	3%	-16%	-3%	-9%	
Project / Systems revenues	94%	148%	-66%	2%	35%	51%	48%	-45%	
<b>Total revenues</b>	<b>-20%</b>	<b>0%</b>	<b>-10%</b>	<b>-17%</b>	<b>9%</b>	<b>-8%</b>	<b>0%</b>	<b>-8%</b>	
<b>Geographic Information</b>									
<b>Revenue (\$ in millions)</b>									
Americas	38.0	42.9	40.7	32.2	39.6	31.7	30.7	25.0	
EMEA	15.2	13.3	13.8	13.3	11.6	15.6	10.9	11.2	
Asia	30.3	27.6	21.2	17.3	16.9	15.7	21.6	21.9	
<b>% of total revenues</b>									
Americas	46%	51%	54%	51%	58%	50%	49%	43%	
EMEA	18%	16%	18%	21%	17%	25%	17%	19%	
Asia	36%	33%	28%	28%	25%	25%	34%	38%	
<b>Disaggregate Revenue Information (\$ in millions)</b>									
Gateway	23.7	26.9	30.7	26.2	29.7	25.3	15.2	21.7	
Messaging	27.5	29.7	26.4	21.5	22.2	18.1	17.6	15.0	
Client	23.3	22.0	11.9	9.4	7.5	10.7	16.8	11.1	
Other	9.0	5.0	6.7	5.6	8.7	8.9	13.6	10.3	
<b>% of total revenues</b>									
Gateway	28%	32%	40%	42%	44%	40%	24%	37%	
Messaging	33%	35%	35%	34%	33%	29%	28%	26%	
Client	28%	27%	16%	15%	11%	17%	27%	19%	
Other	11%	7%	9%	9%	13%	14%	22%	18%	
<b>Balance Sheet &amp; Other (\$ in millions except days and per share data)</b>									
Bookings	113.4	72.2	109.4	48.2	68.0	46.2	80.4	57.1	
Backlog	260.4	248.7	283.5	269.0	268.9	249.0	262.2	263.4	
Accounts receivable, (net)	139.4	141.1	135.1	81.1	72.9	56.3	51.0	59.3	
Deferred revenue	63.4	59.8	59.7	56.5	58.3	62.3	53.4	57.6	
Billed DSO	96.8	104.7	123.8	91.2	74.3	60.2	50.2	57.9	(4)
Unbilled DSO	53.4	46.9	36.9	25.3	22.0	20.3	22.5	34.1	(4)
Cash & investments	505.6	497.9	470.6	382.9	280.6	269.9	292.8	274.4	
Cash & investments per fully diluted share	5.40	5.42	5.04	4.16	3.40	3.28	3.55	3.32	
Capital expenditure, net	3.9	3.9	2.9	3.3	0.8	1.8	1.1	1.1	
Depreciation & amortization of intangibles	4.9	4.0	5.0	5.2	5.3	5.2	5.2	4.8	(3)

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<b>Unaudited</b>									
<b>Headcount</b>									
<b>Functional</b>									
Research and development	292	298	345	323	276	232	227	224	
Sales and marketing	270	259	259	255	247	189	174	165	
Services	469	489	440	426	386	376	362	340	(5)
General and administrative	240	228	220	227	195	165	155	145	
<b>Total permanent employees</b>	<b>1,271</b>	<b>1,274</b>	<b>1,264</b>	<b>1,231</b>	<b>1,104</b>	<b>962</b>	<b>918</b>	<b>874</b>	
<b>Geographic</b>									
Americas	775	750	748	714	615	548	517	498	
EMEA	303	312	301	303	284	235	227	213	
Asia	193	212	215	214	205	179	174	163	
<b>Total permanent employees</b>	<b>1,271</b>	<b>1,274</b>	<b>1,264</b>	<b>1,231</b>	<b>1,104</b>	<b>962</b>	<b>918</b>	<b>874</b>	
<b>Carrier Service Provider (CSP) Information</b>									
CSP's with revenue >10%									
A	19% (s)	22% (s)	23% (s)	21% (s)	27% (s)	21% (s)	21% (s)	18% (s)	(6)
B							12% (k)	12% (t)	(6)

## NOTES

- (1) Numbers presented exclude amortization of acquisition-related contract intangible, stock based compensation and retention bonus which is noted separately.
- (2) Share count becomes diluted upon profitability.
- (3) Depreciation and amortization includes depreciation on fixed assets and amortization of intangible assets (which includes amortization of acquisition-related contract intangibles as noted in footnote 1 above).
- (4) Days Sales Outstanding calculation is (end of quarter accounts receivable / revenue for quarter) x 90.
- (5) Services headcount includes employees engaged in maintenance & support, customer education, consulting and customer advocacy functions.
- (6) Letter in parentheses represents the customer name: (k) for KDDI, (s) for Sprint, (t) for Telstra
- (7) Excludes Professional fees associated with unusual events, restructuring charges, acquisition related costs and amortization, stock based compensation, and retention bonuses related to strategic alternatives.
- (8) Professional fees associated with stock option lawsuit, proxy contests, and strategic alternatives.
- (9) Includes costs related to stock option review as well as professional fees associated with unusual events
- (10) Includes gain on sale of discontinued operations
- Totals may not sum due to rounding.

The data are derived from our historical consolidated financial statements and internal records. Certain customer and subscriber data are provided by our customers or are estimated by Openwave based on internal company records. The data should be read in conjunction with Openwave's most recently filed reports filed with the SEC on forms 10-K, 10-Q and 8K, which are available on the company's website or at [www.sec.gov](http://www.sec.gov).