

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

	March 31, 2008	June 30, 2007
Assets		
Current Assets:		
Cash, cash equivalents and short-term investments	\$ 215,358	\$ 240,644
Restricted cash	242	2,061
Accounts receivable, net	59,349	72,894
Prepaid and other current assets	23,671	30,482
Note receivable from sale of discontinued operation	6,425	-
Current assets of discontinued operation	-	19,039
Total current assets	305,045	365,120
Property and equipment, net	15,751	19,834
Long-term investments and restricted cash and investments	58,803	37,944
Deposits and other assets	7,756	4,575
Goodwill and intangible assets, net	81,471	86,162
Noncurrent assets of discontinued operation	-	34,652
Total assets	\$ 468,826	\$ 548,287
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 3,268	\$ 10,288
Accrued liabilities	38,853	56,344
Accrued restructuring costs	18,343	26,118
Deferred revenue	45,146	46,342
Convertible subordinated notes, net	149,636	-
Current liabilities of discontinued operation	-	18,837
Total current liabilities	255,246	157,929
Accrued restructuring costs, less current portion	44,252	51,140
Deferred revenue, less current portion	12,463	11,917
Deferred rent obligations and long-term taxes payable	6,255	1,649
Deferred tax liabilities, net	-	1,349
Convertible subordinated notes, net	-	149,017
Noncurrent liabilities of discontinued operation	-	5,034
Total liabilities	318,216	378,035
Stockholders' equity	150,610	170,252
Total liabilities and stockholders' equity	\$ 468,826	\$ 548,287

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

	Three Months Ended			Nine Months Ended	
	March 31, 2008	December 31, 2007	March 31, 2007	March 31, 2008	March 31, 2007
Revenues:					
License	\$ 18,394	\$ 16,827	\$ 14,946	\$ 52,544	\$ 69,305
Maintenance and support	18,768	20,887	22,917	61,299	68,563
Services	20,881	25,467	24,841	70,353	84,339
Total revenues	<u>58,043</u>	<u>63,181</u>	<u>62,704</u>	<u>184,196</u>	<u>222,207</u>
Cost of revenues:					
License	988	1,010	872	2,840	3,414
Maintenance and support	7,061	7,702	9,142	23,066	25,003
Services	14,705	20,012	18,319	52,817	61,495
Amortization of intangible assets	1,895	2,035	2,002	5,984	5,487
Total cost of revenues	<u>24,649</u>	<u>30,759</u>	<u>30,335</u>	<u>84,707</u>	<u>95,399</u>
Gross profit	<u>33,394</u>	<u>32,422</u>	<u>32,369</u>	<u>99,489</u>	<u>126,808</u>
Operating Expenses:					
Research and development	15,433	14,822	17,806	45,182	53,871
Sales and marketing	16,529	19,300	25,216	54,362	74,738
General and administrative	7,696	10,109	19,077	31,725	51,533
Stock option review and associated costs	-	-	540	-	6,782
Restructuring and other related costs	5,852	328	576	7,388	13,100
Acquisition-related costs and amortization	827	1,093	774	2,749	2,201
Gain on sale of technology	-	-	-	-	(1,287)
Total operating expenses	<u>46,337</u>	<u>45,652</u>	<u>63,989</u>	<u>141,406</u>	<u>200,938</u>
Operating loss from continuing operations	(12,943)	(13,230)	(31,620)	(41,917)	(74,130)
Interest and other (expense), net	(1,091)	2,479	4,020	4,292	14,863
Impairment of investment in private company	-	-	(1,185)	-	(1,185)
Pre-tax loss from continuing operations	<u>(14,034)</u>	<u>(10,751)</u>	<u>(28,785)</u>	<u>(37,625)</u>	<u>(60,452)</u>
Income taxes	714	544	1,347	2,212	4,737
Net loss from continuing operations	<u>(14,748)</u>	<u>(11,295)</u>	<u>(30,132)</u>	<u>(39,837)</u>	<u>(65,189)</u>
Net loss from discontinued operation, net of tax	-	(286)	(2,378)	(637)	(7,634)
Gain on sale of discontinued operation	-	16,455	-	16,455	-
Net income (loss)	<u>\$ (14,748)</u>	<u>\$ 4,874</u>	<u>\$ (32,510)</u>	<u>\$ (24,019)</u>	<u>\$ (72,823)</u>
Basic and diluted net income (loss) per share from:					
Continuing operations	\$ (0.18)	\$ (0.14)	\$ (0.33)	\$ (0.48)	\$ (0.70)
Discontinued operation	-	0.20	(0.02)	0.19	(0.08)
Net income (loss) per share	<u>\$ (0.18)</u>	<u>\$ 0.06</u>	<u>\$ (0.35)</u>	<u>\$ (0.29)</u>	<u>\$ (0.78)</u>
Shares used in basic and diluted net income (loss) per share	82,557	82,397	92,114	82,341	92,880
Stock-based compensation by category:					
Maintenance and support	\$ 121	\$ 415	\$ 180	\$ 736	\$ 785
Services	279	510	199	1,089	1,023
Research and development	268	819	422	1,467	1,669
Sales and marketing	486	878	1,356	2,171	6,035
General and administrative	756	802	2,293	2,215	6,935
Restructuring and other related costs	-	-	-	-	1,687
Discontinued operation	-	139	232	284	486
	<u>\$ 1,910</u>	<u>\$ 3,563</u>	<u>\$ 4,682</u>	<u>\$ 7,962</u>	<u>\$ 18,620</u>

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

(In thousands, except per share data)

	Three Months Ended			Nine Months Ended	
	March 31, 2008	December 31, 2007	March 31, 2007	March 31, 2008	March 31, 2007
Reconciliation between GAAP and Non-GAAP net income (loss):					
Net income (loss)	\$ (14,748)	\$ 4,874	\$ (32,510)	\$ (24,019)	\$ (72,823)
Exclude:					
Restructuring and other related costs	5,852	328	576	7,388	13,100
Acquisition-related costs and amortization(a)	2,722	3,128	2,776	8,733	7,688
Amortization of stock-based compensation	1,910	3,424	4,450	7,678	16,447
Professional fees associated with unusual events(b)	(710)	337	2,920	1,001	9,162
Retention bonuses related to strategic alternatives	-	-	409	3,398	409
Gain on sale of technology	-	-	-	-	(1,287)
Discontinued operation, net of tax	-	(16,169)	2,378	(15,818)	7,634
Impairment of investment in private company	-	-	1,185	-	1,185
Other-than-temporary impairments of investments	2,383	124	-	2,507	-
Tax impact of reconciling items(c)	(660)	(822)	(792)	(2,303)	(2,482)
Non-GAAP net loss	<u>\$ (3,251)</u>	<u>\$ (4,776)</u>	<u>\$ (18,608)</u>	<u>\$ (11,435)</u>	<u>\$ (20,967)</u>
GAAP net income (loss) per share - diluted	\$ (0.18)	\$ 0.06	\$ (0.35)	\$ (0.29)	\$ (0.78)
Exclude:					
Restructuring and other related costs	\$ 0.07	\$ -	\$ 0.01	\$ 0.09	\$ 0.14
Acquisition-related costs and amortization(a)	\$ 0.03	\$ 0.04	\$ 0.03	\$ 0.11	\$ 0.08
Amortization of stock-based compensation	\$ 0.03	\$ 0.05	\$ 0.05	\$ 0.09	\$ 0.18
Professional fees associated with unusual events(b)	\$ (0.01)	\$ -	\$ 0.03	\$ 0.01	\$ 0.10
Retention bonuses related to strategic alternatives	\$ -	\$ -	\$ -	\$ 0.04	\$ -
Gain on sale of technology	\$ -	\$ -	\$ -	\$ -	\$ (0.01)
Discontinued operation, net of tax	\$ -	\$ (0.20)	\$ 0.03	\$ (0.19)	\$ 0.08
Impairment of investment in private company	\$ -	\$ -	\$ 0.01	\$ -	\$ 0.01
Other-than-temporary impairments of investments	\$ 0.03	\$ -	\$ -	\$ 0.03	\$ -
Tax impact of reconciling items(c)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)
Non-GAAP net loss per share - diluted	<u>\$ (0.04)</u>	<u>\$ (0.06)</u>	<u>\$ (0.20)</u>	<u>\$ (0.14)</u>	<u>\$ (0.23)</u>
Shares used in computing diluted earnings per share	82,557	82,397	92,114	82,341	92,880

(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, net of insurance reimbursement.

(c) The tax impact relates to amortization of acquisition-related 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			Nine Months Ended	
	March 31, 2008	December 31, 2007	March 31, 2007	March 31, 2008	March 31, 2007
Operating activities:					
Net income (loss)	\$ (14,748)	\$ 4,874	\$ (32,510)	\$(24,019)	\$(72,823)
Gain on sale of discontinued operation	-	(16,455)	-	(16,455)	-
Reconciling items:					
Depreciation, amortization of intangibles and stock-based compensation	6,755	8,719	12,640	23,174	41,942
Non-cash restructuring charges	518	513	576	1,563	1,832
Provision for (recovery of) doubtful accounts	(508)	(646)	1,607	(1,927)	3,585
Other non-cash items, net	477	(633)	(1,499)	(954)	(4,277)
Other-than-temporary impairments of investments	2,383	124	-	2,507	-
Proceeds from sale of technology	-	-	-	-	(1,287)
Changes in operating assets and liabilities, net of effect of acquisitions	(6,386)	(14,185)	38,064	(23,533)	29,460
Net cash provided by (used for) operating activities	(11,509)	(17,689)	18,878	(39,644)	(1,568)
Investing activities:					
Purchases of property and equipment, net	(1,095)	(1,418)	(3,461)	(4,430)	(11,268)
Proceeds from sale of non-operating assets	-	-	-	1,065	-
Proceeds from sale of technology and other	-	-	-	-	1,287
Acquisitions, net of cash acquired in continuing operations	-	-	(3,558)	-	(12,090)
Restricted cash related to acquisitions	-	-	-	-	(1,250)
Sale of discontinued operation, net of cash divested and costs	(3,381)	39,382	-	36,001	-
Payments and restricted cash related to prior acquisitions	(438)	(546)	-	(984)	-
Proceeds of investments, net	46,133	8,814	19,791	111,617	51,473
Reclass of cash equivalents to short term investments	-	(9,796)	-	(9,796)	-
Restricted cash and investments	-	420	346	225	1,528
Net cash provided by investing activities	41,219	36,856	13,118	133,698	29,680
Financing activities:					
Payment on note payable	-	(113)	-	(113)	(305)
Net proceeds from issuance of common stock	-	30	187	88	333
Cash used to repurchase stock from employees	-	-	(6)	(505)	(944)
Stock buy back plan	-	-	(100,000)	-	(100,000)
Employee stock purchase plan	-	536	-	536	-
Cash provided by (used for) financing activities	-	453	(99,819)	6	(100,916)
Effect of exchange rates on cash and cash equivalents	-	-	(160)	-	(40)
Net increase (decrease) in cash and cash equivalents	29,710	19,620	(67,983)	94,060	(72,844)
Cash and cash equivalents at beginning of period	150,449	130,829	167,685	86,099	172,546
Cash and cash equivalents at end of period, including discontinued operation	\$ 180,159	\$ 150,449	\$ 99,702	\$180,159	\$ 99,702
Cash and cash equivalents included in discontinued operation	-	-	(3,335)	-	(3,335)
Cash and cash equivalents at end of period	\$ 180,159	\$ 150,449	\$ 96,367	\$180,159	\$ 96,367

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