

OPENWAVE SYSTEMS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS-UNAUDITED

(In thousands)

| | June 30, 2007 | June 30, 2006 |
|---|------------------|------------------|
| Assets | | |
| Current Assets: | | |
| Cash, cash equivalents and short-term investments | \$ 246,489 | \$ 428,966 |
| Restricted cash | 2,061 | - |
| Accounts receivable, net | 82,649 | 152,547 |
| Prepaid and other current assets | 33,921 | 21,449 |
| Total current assets | 365,120 | 602,962 |
| Property and equipment, net | 21,667 | 20,784 |
| Long-term investments and restricted cash and investments | 37,944 | 81,140 |
| Deposits and other assets | 7,324 | 9,169 |
| Goodwill and intangible assets, net | 146,258 | 205,776 |
| Total assets | \$ 578,313 | \$ 919,831 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 14,581 | \$ 14,951 |
| Accrued liabilities | 70,069 | 59,077 |
| Accrued restructuring costs | 26,118 | 18,542 |
| Deferred revenue | 47,161 | 58,964 |
| Total current liabilities | 157,929 | 151,534 |
| Accrued restructuring costs, less current portion | 51,140 | 60,922 |
| Deferred revenue, less current portion | 14,011 | 6,814 |
| Deferred rent obligations | 1,649 | 1,055 |
| Deferred tax liabilities, net | 6,309 | 11,417 |
| Convertible subordinated notes, net | 149,017 | 148,494 |
| Total liabilities | 380,055 | 380,236 |
| Stockholders' equity | 198,258 | 539,595 |
| Total liabilities and stockholders' equity | \$ 578,313 | \$ 919,831 |

(more)

OPENWAVE SYSTEMS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS-UNAUDITED

(In thousands, except per share data)

| | Three Months Ended | | | Year Ended | |
|--|--------------------|--------------------|-------------------|---------------------|------------------|
| | June 30, 2007 | March 31, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 |
| Revenues: | | | | | |
| License | \$ 19,402 | \$ 14,946 | \$37,797 | \$ 88,707 | \$194,611 |
| Maintenance and support | 22,443 | 22,917 | 22,821 | 91,006 | 93,821 |
| Services | 23,376 | 22,712 | 20,425 | 97,379 | 93,833 |
| Projects/ Systems | 2,873 | 2,129 | 2,466 | 13,209 | 13,967 |
| Total revenues | <u>68,094</u> | <u>62,704</u> | <u>83,509</u> | <u>290,301</u> | <u>396,232</u> |
| Cost of revenues: | | | | | |
| License | 1,510 | 872 | 1,901 | 4,924 | 7,189 |
| Maintenance and support | 9,099 | 9,142 | 7,046 | 34,102 | 30,320 |
| Services | 15,574 | 17,502 | 15,588 | 72,576 | 70,206 |
| Projects/ Systems | 2,528 | 817 | 630 | 7,021 | 7,128 |
| Amortization of intangible assets | 2,056 | 2,002 | 1,519 | 7,543 | 6,151 |
| Total cost of revenues | <u>30,767</u> | <u>30,335</u> | <u>26,684</u> | <u>126,166</u> | <u>120,994</u> |
| Gross profit | <u>37,327</u> | <u>32,369</u> | <u>56,825</u> | <u>164,135</u> | <u>275,238</u> |
| Operating Expenses: | | | | | |
| Research and development | 17,539 | 17,806 | 19,046 | 71,410 | 84,148 |
| Sales and marketing | 24,910 | 25,216 | 29,007 | 99,648 | 119,653 |
| General and administrative | 16,253 | 19,077 | 16,290 | 67,786 | 67,725 |
| Stock option review and associated costs | - | 540 | 341 | 6,782 | 341 |
| Restructuring and other related costs | 17,548 | 576 | (3,047) | 30,648 | 4,623 |
| Acquisition-related costs and amortization | 823 | 774 | 713 | 3,024 | 2,852 |
| Gain on sale of technology | - | - | - | (1,287) | (11,349) |
| Total operating expenses | <u>77,073</u> | <u>63,989</u> | <u>62,350</u> | <u>278,011</u> | <u>267,993</u> |
| Operating income (loss) from continuing operations | (39,746) | (31,620) | (5,525) | (113,876) | 7,245 |
| Interest and other (expense), net | 3,430 | 4,020 | 4,267 | 18,293 | 9,057 |
| Gain on/(impairment) of non-marketable equity securities | 1,065 | (1,185) | (428) | (120) | (532) |
| Pretax income (loss) from continuing operations | <u>(35,251)</u> | <u>(28,785)</u> | <u>(1,686)</u> | <u>(95,703)</u> | <u>15,770</u> |
| Income taxes | 1,807 | 1,347 | 489 | 6,544 | 5,377 |
| Net income (loss) from continuing operations | (37,058) | (30,132) | (2,175) | (102,247) | 10,393 |
| Net loss from discontinued operations, net of tax | (54,748) | (2,378) | (2,927) | (62,382) | (5,157) |
| Net income (loss) | <u>\$ (91,806)</u> | <u>\$ (32,510)</u> | <u>\$ (5,102)</u> | <u>\$ (164,629)</u> | <u>\$ 5,236</u> |
| Basic net income (loss) per share from: | | | | | |
| Continuing operations | \$ (0.45) | \$ (0.33) | \$ (0.03) | \$ (1.13) | \$ 0.12 |
| Discontinued operations | (0.66) | (0.02) | (0.03) | (0.69) | (0.06) |
| Net income | <u>\$ (1.11)</u> | <u>\$ (0.35)</u> | <u>\$ (0.06)</u> | <u>\$ (1.82)</u> | <u>\$ 0.06</u> |
| Diluted net income (loss) per share from: | | | | | |
| Continuing operations | \$ (0.45) | \$ (0.33) | \$ (0.03) | \$ (1.13) | \$ 0.12 |
| Discontinued operations | (0.66) | (0.02) | (0.03) | (0.69) | (0.06) |
| Net income | <u>\$ (1.11)</u> | <u>\$ (0.35)</u> | <u>\$ (0.06)</u> | <u>\$ (1.82)</u> | <u>\$ 0.06</u> |
| Shares used in basic net income (loss) per share | 82,449 | 92,114 | 91,709 | 90,246 | 82,231 |
| Shares used in diluted net income (loss) per share | 82,449 | 92,114 | 91,709 | 90,246 | 85,316 |
| Stock-based compensation by category: | | | | | |
| Maintenance and support | \$ 168 | \$ 180 | \$ 207 | \$ 953 | 1,418 |
| Services | 216 | 199 | 343 | 1,239 | 1,541 |
| Research and development | 757 | 422 | 483 | 2,426 | 5,787 |
| Sales and marketing | 760 | 1,356 | 4,467 | 6,795 | 19,089 |
| General and administrative | (459) | 2,293 | 3,208 | 6,476 | 12,979 |
| Restructuring and other related costs | 1,691 | - | - | 4,489 | - |
| Discontinued operations | 152 | 232 | 147 | 638 | 214 |
| | <u>\$ 3,285</u> | <u>\$ 4,682</u> | <u>\$ 8,855</u> | <u>\$ 23,016</u> | <u>\$ 41,028</u> |

(more)

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

| | Three Months Ended | | | Year Ended | |
|--|--------------------|--------------------|------------------|--------------------|------------------|
| | June 30, 2007 | March 31, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 |
| Reconciliation between GAAP and Non-GAAP net income (loss): | | | | | |
| Net income (loss) | \$ (91,806) | \$ (32,510) | \$ (5,102) | \$ (164,629) | \$ 5,236 |
| Exclude: | | | | | |
| Restructuring and other related costs | 17,548 | 576 | (3,047) | 30,648 | 4,623 |
| Acquisition-related costs and amortization* | 2,879 | 2,776 | 2,232 | 10,567 | 9,675 |
| Amortization of stock-based compensation | 1,442 | 4,450 | 8,708 | 17,889 | 40,814 |
| Stock option review and associated costs** | - | 540 | 341 | 6,782 | 341 |
| Costs associated with proxy contest and strategic alternatives | 3,314 | 2,380 | - | 5,694 | - |
| Retention bonuses related to strategic alternatives | 3,217 | 409 | - | 3,626 | - |
| Gains/impairments on non-operating assets | (1,065) | 1,185 | 428 | (1,167) | (10,817) |
| Discontinued operations, net of tax | 54,748 | 2,378 | 2,927 | 62,382 | 5,157 |
| Tax impact of reconciling items*** | (826) | (792) | (1,770) | (3,308) | (2,729) |
| Non-GAAP net income (loss) per share | <u>\$ (10,549)</u> | <u>\$ (18,608)</u> | <u>\$ 4,717</u> | <u>\$ (31,516)</u> | <u>\$ 52,300</u> |
| GAAP net income (loss) per share - diluted | \$ (1.11) | \$ (0.35) | \$ (0.05) | \$ (1.82) | \$ 0.06 |
| Exclude: | | | | | |
| Restructuring and other related costs | \$ 0.21 | \$ 0.01 | \$ (0.03) | \$ 0.34 | \$ 0.05 |
| Acquisition-related costs and amortization* | \$ 0.03 | \$ 0.03 | \$ 0.02 | \$ 0.11 | \$ 0.11 |
| Amortization of stock-based compensation | \$ 0.02 | \$ 0.05 | \$ 0.09 | \$ 0.20 | \$ 0.48 |
| Stock option review and associated costs** | \$ - | \$ 0.01 | \$ - | \$ 0.08 | \$ - |
| Costs associated with proxy contest and strategic alternatives | \$ 0.04 | \$ 0.03 | \$ - | \$ 0.06 | \$ - |
| Retention bonuses related to strategic alternatives | \$ 0.04 | \$ - | \$ - | \$ 0.04 | \$ - |
| Gains/impairments on non-operating assets | \$ (0.01) | \$ 0.01 | \$ 0.01 | \$ (0.01) | \$ (0.12) |
| Discontinued operations, net of tax | \$ 0.66 | \$ 0.02 | \$ 0.03 | \$ 0.69 | \$ 0.06 |
| Tax impact of reconciling items*** | \$ (0.01) | \$ (0.01) | \$ (0.02) | \$ (0.04) | \$ (0.03) |
| Non-GAAP net income (loss) per share - diluted | <u>\$ (0.13)</u> | <u>\$ (0.20)</u> | <u>\$ 0.05</u> | <u>\$ (0.35)</u> | <u>\$ 0.61</u> |
| Shares used in computing diluted earnings per share | 82,449 | 92,114 | 93,679 | 90,246 | 85,316 |

*Acquisition-related costs relates to payments due under the terms of the Widerweb acquisition. Also includes \$672 thousand of acquisition-related hedging costs in the year ended June 30, 2006. Amortization relates to acquired intangible assets.

**Relates to legal fees regarding the stock option review and resulting lawsuits.

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

#