

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

	March 31,	June 30,
	2011	2010
Assets		
Current Assets:		
Cash, cash equivalents and short-term investments	\$ 82,263	\$ 106,146
Accounts receivable, net	25,312	31,160
Prepaid and other current assets	15,239	18,018
Total current assets	122,814	155,324
Property and equipment, net	7,268	8,365
Long-term investments and restricted cash and investments	19,125	13,222
Deposits and other assets	6,699	9,231
Goodwill	267	267
Intangible assets, net	962	2,200
Total assets	\$ 157,135	\$ 188,609
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 5,497	\$ 4,658
Accrued liabilities	19,731	20,584
Accrued restructuring costs	13,408	15,128
Deferred revenue	31,327	35,132
Total current liabilities	69,963	75,502
Accrued restructuring costs, less current portion	15,655	23,820
Deferred revenue, less current portion	5,742	11,800
Deferred rent obligations and long-term taxes payable	4,802	4,728
Total liabilities	96,162	115,850
Stockholders' equity	60,973	72,759
Total liabilities and stockholders' equity	\$ 157,135	\$ 188,609

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

	Three Months Ended			Nine Months Ended	
	March 31, 2011	December 31, 2010	March 31, 2010	March 31, 2011	March 31, 2010
Revenues:					
License	\$ 11,935	\$ 10,072	\$ 12,546	\$ 34,339	\$ 36,254
Maintenance and support	11,513	13,913	15,224	39,419	47,190
Services	15,436	15,925	12,333	42,564	56,243
Patents	8	1	-	4,009	-
Total revenues	<u>38,892</u>	<u>39,911</u>	<u>40,103</u>	<u>120,331</u>	<u>139,687</u>
Cost of revenues:					
License	74	78	50	182	534
Maintenance and support	4,176	3,975	4,439	12,292	13,414
Services	12,423	11,594	9,565	32,904	42,413
Amortization of intangible assets	409	409	420	1,238	1,260
Total cost of revenues	<u>17,082</u>	<u>16,056</u>	<u>14,474</u>	<u>46,616</u>	<u>57,621</u>
Gross profit	<u>21,810</u>	<u>23,855</u>	<u>25,629</u>	<u>73,715</u>	<u>82,066</u>
Operating Expenses:					
Research and development	9,911	10,439	10,679	31,780	30,210
Sales and marketing	12,842	11,357	11,030	35,020	32,793
General and administrative	6,867	5,457	6,555	18,936	21,190
Restructuring and other related costs	2,164	856	1,984	3,728	3,759
Total operating expenses	<u>31,784</u>	<u>28,109</u>	<u>30,248</u>	<u>89,464</u>	<u>87,952</u>
Operating loss from continuing operations	(9,974)	(4,254)	(4,619)	(15,749)	(5,886)
Interest and other income (expense), net	(467)	210	1,471	(220)	42
Pre-tax loss from continuing operations	<u>(10,441)</u>	<u>(4,044)</u>	<u>(3,148)</u>	<u>(15,969)</u>	<u>(5,844)</u>
Income taxes	383	491	1,053	1,555	1,670
Net loss from continuing operations	<u>(10,824)</u>	<u>(4,535)</u>	<u>(4,201)</u>	<u>(17,524)</u>	<u>(7,514)</u>
Gain on sale of discontinued operations, net of tax	-	-	-	2,236	4,516
Net loss	<u>\$ (10,824)</u>	<u>\$ (4,535)</u>	<u>\$ (4,201)</u>	<u>\$ (15,288)</u>	<u>\$ (2,998)</u>
Basic and diluted net income (loss) per share from:					
Continuing operations	\$ (0.13)	\$ (0.05)	\$ (0.05)	\$ (0.21)	\$ (0.09)
Discontinued operations	-	-	-	0.03	0.05
Net loss per share	<u>\$ (0.13)</u>	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>	<u>\$ (0.18)</u>	<u>\$ (0.04)</u>
Shares used in basic and diluted net income (loss) per share	84,761	84,324	83,559	84,365	83,420
Stock-based compensation by category:					
Maintenance and support	\$ 48	\$ 40	\$ 38	\$ 133	\$ 108
Services	60	46	60	165	172
Research and development	119	115	96	365	236
Sales and marketing	142	161	137	459	410
General and administrative	287	256	210	813	600
	<u>\$ 656</u>	<u>\$ 618</u>	<u>\$ 541</u>	<u>\$ 1,935</u>	<u>\$ 1,526</u>

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

	Three Months Ended			Nine Months Ended	
	March 31, 2011	December 31, 2010	March 31, 2010	March 31, 2011	March 31, 2010
Reconciliation between GAAP and Non-GAAP net income (loss):					
Net loss	\$ (10,824)	\$ (4,535)	\$ (4,201)	\$ (15,288)	\$ (2,998)
Exclude:					
Restructuring costs	2,164	856	1,984	3,728	3,759
Amortization of intangibles	409	409	420	1,238	1,260
Stock-based compensation	656	618	541	1,935	1,526
Amounts associated with unusual events(a)	822	-	(986)	822	(139)
Discontinued operations, net	-	-	-	(2,236)	(4,516)
Realized losses and other-than-temporary impairments of investments	276	-	236	276	2,272
Tax impact of reconciling items(b)	(47)	(47)	(41)	(137)	(143)
Non-GAAP net income (loss)	<u>\$ (6,544)</u>	<u>\$ (2,699)</u>	<u>\$ (2,047)</u>	<u>\$ (9,662)</u>	<u>\$ 1,021</u>
Diluted GAAP net loss per share	\$ (0.13)	\$ (0.05)	\$ (0.05)	\$ (0.18)	\$ (0.04)
Exclude:					
Restructuring costs	\$ 0.03	\$ 0.01	\$ 0.02	\$ 0.05	\$ 0.03
Amortization of intangibles	\$ -	\$ -	\$ 0.01	\$ 0.01	\$ 0.01
Stock-based compensation	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03
Amounts associated with unusual events(a)	\$ 0.01	\$ -	\$ (0.01)	\$ 0.01	\$ -
Discontinued operations, net	\$ -	\$ -	\$ -	\$ (0.03)	\$ (0.05)
Realized losses and other-than-temporary impairments of investments	\$ -	\$ -	\$ -	\$ -	\$ 0.03
Tax impact of reconciling items(b)	\$ -	\$ -	\$ -	\$ -	\$ -
Diluted non-GAAP net income (loss) per share	<u>\$ (0.08)</u>	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.11)</u>	<u>\$ 0.01</u>
Shares used in computing diluted earnings per share	84,761	84,324	83,559	84,365	85,101

(a)Relates to legal fees regarding lawsuits and other unusual events, net of insurance reimbursements.

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

OPENWAVE SYSTEMS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS-UNAUDITED
(in thousands)

	Three Months Ended			Nine Months Ended	
	March 31, 2011	December 31, 2010	March 31, 2010	March 31, 2011	March 31, 2010
Operating activities:					
Net loss	\$ (10,824)	\$ (4,535)	\$ (4,201)	\$ (15,288)	\$ (2,998)
Gain on sale of discontinued operations	-	-	-	(2,236)	(4,516)
Reconciling items:					
Depreciation, amortization of intangibles and stock-based compensation	2,441	2,335	2,209	7,103	7,018
Non-cash restructuring charges	267	290	403	872	1,344
Recovery of doubtful accounts	45	(28)	(145)	(168)	(464)
Other non-cash items, net	363	339	317	1,047	1,528
Realized losses and other-than-temporary impairments of investments	276	-	236	276	2,272
Changes in operating assets and liabilities	(4,042)	(1,422)	(2,168)	(8,965)	(10,058)
Net cash used for operating activities	(11,474)	(3,021)	(3,349)	(17,359)	(5,874)
Investing activities:					
Purchases of property and equipment, net	(533)	(1,569)	(1,072)	(3,169)	(1,993)
Sale of discontinued operations, net	-	-	-	2,236	4,516
Proceeds of investments, net	10,594	(1,123)	(7,481)	10,447	(28,909)
Maturities of restricted cash and investments, net	141	216	9	357	418
Net cash provided by (used for) investing activities	10,202	(2,476)	(8,544)	9,871	(25,968)
Financing activities:					
Net proceeds from issuance of common stock	454	752	91	1,276	343
Fees on line of credit	-	-	(200)	-	(200)
Cash provided by (used for) financing activities	454	752	(109)	1,276	143
Net decrease in cash and cash equivalents	(818)	(4,745)	(12,002)	(6,212)	(31,699)
Cash and cash equivalents at beginning of period	55,541	60,286	71,848	60,935	91,545
Cash and cash equivalents at end of period, including discontinued operations	\$ 54,723	\$ 55,541	\$ 59,846	\$ 54,723	\$ 59,846