



Unaudited	FY09 Q3 Mar-09	FY09 Q4 Jun-09	FY10 Q1 Sep-09	FY10 Q2 Dec-09	FY10 Q3 Mar-10	Notes
Historical Analysis of Operations (\$ in thousands except shares and per share data)						
Revenues						
License	\$ 16,690	\$ 13,091	\$ 10,425	\$ 13,283	\$ 12,546	
Maintenance and support	15,420	16,224	15,798	16,168	15,224	
Services	<u>12,542</u>	<u>18,622</u>	<u>23,619</u>	<u>20,291</u>	<u>12,333</u>	
Total revenues	44,652	47,937	49,842	49,742	40,103	
Cost of revenues						
License	295	323	230	255	51	(1)
Maintenance and support	4,167	4,043	4,278	4,626	4,400	(1)
Services	10,481	13,818	17,697	15,039	9,505	(1)
Amortization of purchased technology and contract intangibles	654	420	420	420	420	
Stock based compensation	<u>112</u>	<u>92</u>	<u>114</u>	<u>68</u>	<u>98</u>	
Total cost of revenues	15,709	18,696	22,739	20,408	14,474	
Gross profit	28,943	29,241	27,103	29,334	25,629	
Operating expenses						
Research and development	10,808	10,871	9,766	9,625	10,583	(1)
Sales and marketing	9,779	11,643	10,565	10,925	10,893	(1)
General and administrative	7,366	6,404	7,392	6,006	5,656	(1)
Costs and reimbursements associated with unusual events	207	(44)	344	503	689	(4)
Restructuring and related costs	5,061	2,274	422	1,353	1,984	
Amortization of other intangibles and impairment of goodwill	46	-	-	-	-	
Stock based compensation	<u>594</u>	<u>458</u>	<u>433</u>	<u>370</u>	<u>443</u>	
Total operating expenses	33,861	31,606	28,922	28,782	30,248	
Operating income (loss) from continuing operations	(4,918)	(2,365)	(1,819)	552	(4,619)	
Interest and other, net	<u>(2,259)</u>	<u>(172)</u>	<u>(1,209)</u>	<u>(220)</u>	<u>1,471</u>	
Income (loss) from continuing operations before income taxes	(7,177)	(2,537)	(3,028)	332	(3,148)	
Income taxes	<u>590</u>	<u>907</u>	<u>498</u>	<u>119</u>	<u>1,053</u>	
Net income before cumulative effect of change in accounting principle						
Cumulative effect of change in accounting principle						
Net income (loss) from continuing operations	(7,767)	(3,444)	(3,526)	213	(4,201)	
Diluted net income (loss) from continuing operations per share	\$ (0.09)	\$ (0.04)	\$ (0.04)	\$ 0.00	\$ (0.05)	
Discontinued operations gain/(loss)	-	-	4,516	-	-	
Net income (loss)	\$ (7,767)	\$ (3,444)	\$ 990	\$ 213	\$ (4,201)	
Diluted net income (loss) per share	\$ (0.09)	\$ (0.04)	\$ 0.01	\$ 0.00	\$ (0.05)	
Shares used in computing GAAP net income (loss) per share	83,023	83,177	83,295	84,910	83,559	(2)



Unaudited

FY09 Q3
Mar-09

FY09 Q4
Jun-09

FY10 Q1
Sep-09

FY10 Q2
Dec-09

FY10 Q3
Mar-10

Notes

Reconciliation of GAAP to Non-GAAP Expense Categories

GAAP cost of license revenue	\$ 937	\$ 732	\$ 639	\$ 664	\$ 460	(3)
Deduct amortization of purchased technology	<u>642</u>	<u>409</u>	<u>409</u>	<u>409</u>	<u>409</u>	
Non-GAAP cost of license revenue	\$ 295	\$ 323	\$ 230	\$ 255	\$ 51	
GAAP cost of maintenance and support	\$ 4,232	\$ 4,086	\$ 4,327	\$ 4,669	\$ 4,449	(3)
Deduct amortization of purchased contract intangibles	<u>12</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	
Deduct stock-based compensation	<u>53</u>	<u>32</u>	<u>38</u>	<u>32</u>	<u>38</u>	
Non-GAAP cost of maintenance and support	\$ 4,167	\$ 4,043	\$ 4,278	\$ 4,626	\$ 4,400	
GAAP cost of services	\$ 10,540	\$ 13,878	\$ 17,773	\$ 15,075	\$ 9,565	(3)
Deduct stock-based compensation	<u>59</u>	<u>60</u>	<u>76</u>	<u>36</u>	<u>60</u>	
Non-GAAP cost of services	\$ 10,481	\$ 13,818	\$ 17,697	\$ 15,039	\$ 9,505	
GAAP research and development	\$ 11,055	\$ 11,025	\$ 9,864	\$ 9,667	\$ 10,679	(3)
Deduct amortization of acquisition-related costs	<u>42</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Deduct stock-based compensation	<u>205</u>	<u>154</u>	<u>98</u>	<u>42</u>	<u>96</u>	
Non-GAAP research and development	\$ 10,808	\$ 10,871	\$ 9,766	\$ 9,625	\$ 10,583	
GAAP sales and marketing	\$ 9,931	\$ 11,768	\$ 10,711	\$ 11,052	\$ 11,030	(3)
Deduct stock-based compensation	<u>152</u>	<u>125</u>	<u>146</u>	<u>127</u>	<u>137</u>	
Non-GAAP sales and marketing	\$ 9,779	\$ 11,643	\$ 10,565	\$ 10,925	\$ 10,893	
GAAP general and administrative	\$ 7,810	\$ 6,539	\$ 7,925	\$ 6,710	\$ 6,555	(3)
Deduct costs and reimbursements associated with unusual events	<u>207</u>	<u>(44)</u>	<u>344</u>	<u>503</u>	<u>689</u>	
Deduct stock-based compensation	<u>237</u>	<u>179</u>	<u>189</u>	<u>201</u>	<u>210</u>	
Non-GAAP general and administrative	\$ 7,366	\$ 6,404	\$ 7,392	\$ 6,006	\$ 5,656	



Unaudited	FY09 Q3 Mar-09	FY09 Q4 Jun-09	FY10 Q1 Sep-09	FY10 Q2 Dec-09	FY10 Q3 Mar-10	Notes
Non-GAAP Net Income (Loss) (\$ in thousands except shares and per share data)						
GAAP net income (loss)	\$ (7,767)	\$ (3,444)	\$ 990	\$ 213	\$ (4,201)	
Add back:						
Restructuring and related costs	5,061	2,274	422	1,353	1,984	
Acquisition-related costs and amortization	700	420	420	420	420	
Stock based compensation	706	550	547	438	541	
Costs and reimbursements associated with unusual events	207	(44)	344	503	(986)	(4)
Realized losses and impairment of investments and non-marketable equi	1,612	-	1,385	651	236	
Discontinued operations	-	-	(4,516)	-	-	(5)
Tax impact of the above reconciling items	(133)	(34)	(51)	(51)	(41)	
Non-GAAP net income (loss)	\$ 386	\$ (278)	\$ (459)	\$ 3,527	\$ (2,047)	
Fully diluted non-GAAP net income (loss) per share	\$ 0.00	\$ (0.00)	\$ (0.01)	\$ 0.04	\$ (0.02)	
Shares used in computing pro forma fully diluted net income per share	83,025	83,177	83,295	84,910	83,559	
% of Revenue						
License revenues	37.4%	27.3%	20.9%	26.7%	31.3%	
Maintenance and support revenues	34.5%	33.8%	31.7%	32.5%	38.0%	
Services revenues	28.1%	38.9%	47.4%	40.8%	30.8%	
License gross margin	98.2%	97.5%	97.8%	98.1%	99.6%	(1)
Maintenance and support gross margin	73.0%	75.1%	72.9%	71.4%	71.1%	(1)
Services gross margin	<u>16.4%</u>	<u>25.8%</u>	<u>25.1%</u>	<u>25.9%</u>	<u>22.9%</u>	(1)
Non-GAAP gross margin	66.5%	62.1%	55.4%	60.0%	65.2%	
Amortization of purchased technology and contract intangibles	1.5%	0.9%	0.8%	0.9%	1.1%	
Stock based compensation	<u>0.2%</u>	<u>0.2%</u>	<u>0.2%</u>	<u>0.1%</u>	<u>0.2%</u>	
Gross margin (GAAP)	64.8%	61.0%	54.4%	59.0%	63.9%	
Research and development, excluding stock-based compensation	24.2%	22.7%	19.6%	19.3%	26.4%	(1)
Sales and marketing, excluding stock-based compensation	21.9%	24.3%	21.2%	22.0%	27.2%	(1)
General and administrative, excluding stock-based compensation	<u>16.5%</u>	<u>13.4%</u>	<u>14.8%</u>	<u>12.1%</u>	<u>14.1%</u>	(1)
Non-GAAP operating expenses	62.6%	60.4%	55.6%	53.4%	67.7%	(1, 6)
Costs and reimbursements associated with unusual events	0.5%	-0.1%	0.7%	1.0%	1.7%	
Restructuring and related costs	11.3%	4.7%	0.8%	2.7%	4.9%	
Amortization of other intangibles and impairment of goodwill	0.1%	0.0%	0.0%	0.0%	0.0%	
Stock based compensation	<u>1.3%</u>	<u>1.0%</u>	<u>0.9%</u>	<u>0.7%</u>	<u>1.1%</u>	
Total operating expenses (GAAP)	75.8%	66.0%	58.0%	57.8%	75.4%	
Operating profit/(loss) from continuing operations	-11.0%	-4.9%	-3.6%	1.1%	-11.5%	
Net profit/(loss) from continuing operations	-17.4%	-7.2%	-7.1%	0.4%	-10.5%	

Unaudited	FY09 Q3 Mar-09	FY09 Q4 Jun-09	FY10 Q1 Sep-09	FY10 Q2 Dec-09	FY10 Q3 Mar-10	Notes
Reconciliation of GAAP to Non-GAAP % of Revenue Categories						
GAAP license margin	94.4%	94.4%	93.9%	95.0%	96.3%	
Amortization of purchased technology	<u>3.8%</u>	<u>3.1%</u>	<u>3.9%</u>	<u>3.1%</u>	<u>3.3%</u>	
Non-GAAP license margin	98.2%	97.5%	97.8%	98.1%	99.6%	
GAAP maintenance and support margin	72.6%	74.8%	72.6%	71.1%	70.8%	
Amortization of purchased contract intangibles	0.1%	0.1%	0.1%	0.1%	0.1%	
Stock-based compensation	<u>0.3%</u>	<u>0.2%</u>	<u>0.2%</u>	<u>0.2%</u>	<u>0.2%</u>	
Non-GAAP maintenance and support margin	73.0%	75.1%	72.9%	71.4%	71.1%	
GAAP services margin	16.0%	25.5%	24.8%	25.7%	22.4%	
Stock-based compensation	<u>0.4%</u>	<u>0.3%</u>	<u>0.3%</u>	<u>0.2%</u>	<u>0.5%</u>	
Non-GAAP services margin	16.4%	25.8%	25.1%	25.9%	22.9%	
GAAP research and development	24.8%	23.0%	19.8%	19.4%	26.6%	
Amortization of acquisition-related costs	-0.1%	0.0%	0.0%	0.0%	0.0%	
Stock-based compensation	<u>-0.5%</u>	<u>-0.3%</u>	<u>-0.2%</u>	<u>-0.1%</u>	<u>-0.2%</u>	
Non-GAAP research and development	24.2%	22.7%	19.6%	19.3%	26.4%	
GAAP sales and marketing	22.2%	24.6%	21.5%	22.3%	27.5%	
Stock-based compensation	<u>-0.3%</u>	<u>-0.3%</u>	<u>-0.3%</u>	<u>-0.3%</u>	<u>-0.3%</u>	
Non-GAAP sales and marketing	21.9%	24.3%	21.2%	22.0%	27.2%	
GAAP general and administrative	17.5%	13.7%	15.9%	13.5%	16.3%	
Costs and reimbursements associated with unusual activities	-0.5%	0.1%	-0.7%	-1.0%	-1.7%	
Stock-based compensation	<u>-0.5%</u>	<u>-0.4%</u>	<u>-0.4%</u>	<u>-0.4%</u>	<u>-0.5%</u>	
Non-GAAP general and administrative	16.5%	13.4%	14.8%	12.1%	14.1%	



Unaudited	FY09 Q3 Mar-09	FY09 Q4 Jun-09	FY10 Q1 Sep-09	FY10 Q2 Dec-09	FY10 Q3 Mar-10	Notes
% Qtr-over-Qtr Growth						
License revenues	21%	-22%	-20%	27%	-6%	
Maintenance and support revenues	-3%	5%	-3%	2%	-6%	
Services revenues	-31%	48%	27%	-14%	-39%	
Total revenues	-7%	7%	4%	0%	-19%	
Geographic Information						
Revenue (\$ in millions)						
Americas	30.1	33.3	32.3	30.6	21.3	
EMEA	6.4	5.6	7.0	6.5	6.4	
Asia	8.2	9.0	10.5	12.7	12.4	
Total revenues	44.7	47.9	49.7	49.8	40.1	
Americas	67%	69%	65%	61%	53%	
EMEA	14%	12%	14%	13%	16%	
Asia	18%	19%	21%	26%	31%	
Disaggregate Revenue Information (\$ in millions)						
Revenue (\$ in millions)						
Service Mediation	25.7	20.1	22.2	23.7	17.8	
Messaging	13.7	22.1	20.1	18.7	16.5	
Other	5.2	5.7	7.5	7.4	5.8	
% of total revenues						
Service Mediation	58%	42%	45%	48%	44%	
Messaging	31%	46%	40%	37%	41%	
Other	12%	12%	15%	15%	15%	
Balance Sheet & Other (\$ in millions except days and per share data)						
Bookings	37.6	49.1	47.3	46.5	41.1	(11)
Backlog	198	197	193	189	186	
Accounts receivable, (net)	31.6	31.1	36.4	30.4	25.7	
Deferred revenue	51.0	50.3	49.8	48.0	43.4	
Total DSO	64	58	66	55	58	(7)
Cash & investments	121.7	126.7	121.6	128.5	123.6	
Cash & investments per fully diluted share	1.47	1.52	1.46	1.51	1.48	
Capital expenditure, net	1.8	1.2	0.6	0.3	1.1	
Depreciation & amortization of intangibles	2.3	2.0	1.9	1.9	1.7	(8)



Unaudited	FY09 Q3	FY09 Q4	FY10 Q1	FY10 Q2	FY10 Q3	Notes
Headcount	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	
Functional						
Research and development	182	155	164	155	139	
Sales and marketing	119	117	114	114	120	
Services	211	210	216	214	214	(9)
General and administrative	<u>118</u>	<u>108</u>	<u>114</u>	<u>113</u>	<u>106</u>	
Total permanent employees	630	590	608	596	579	
Geographic						
Americas	368	339	353	347	321	
EMEA	176	170	175	170	174	
Asia	<u>86</u>	<u>81</u>	<u>80</u>	<u>79</u>	<u>84</u>	
Total permanent employees	630	590	608	596	579	
Carrier Service Provider (CSP) Information						
CSP's with revenue >10%						
A	32% (a)	34% (s)	40% (s)	37% (s)	27% (s)	(10)
B	20% (s)		10% (a)			
C						

NOTES

- (1) Numbers presented exclude amortization of intangibles and stock based compensation which is noted separately.
- (2) Share count becomes diluted upon profitability.
- (3) Agrees to classification in Openwave's most current 10Q and 10K filing.
- (4) Includes costs related to lawsuits and other unusual events, net of insurance reimbursements.
- (5) Includes gain on sale of discontinued operations.
- (6) Excludes amounts associated with certain unusual events, restructuring, impairments, amortization of intangibles and stock-based compensation.
- (7) Days Sales Outstanding calculation is (end of quarter accounts receivable / revenue for quarter) x 90.
- (8) Depreciation and amortization includes depreciation on fixed assets and amortization of intangible assets.
- (9) Services headcount includes employees engaged in maintenance & support, customer education, consulting and customer advocacy functions.
- (10) Letter in parentheses represents the customer name: (a) for ATT, (s) for Sprint (including Nextel).
- (11) 3QF09 bookings amount shown reflects the value of new orders prior to debookings.
- Totals may not sum due to rounding.

The data are derived from our historical consolidated financial statements and internal records. Certain data are estimated by Openwave based on internal company records. The data should be read in conjunction with Openwave's most recent 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.