



| Unaudited | FY09 Q2 Dec-08 | FY09 Q3 Mar-09 | FY09 Q4 Jun-09 | FY10 Q1 Sep-09 | FY10 Q2 Dec-09 | Notes |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|-------|
| Historical Analysis of Operations (\$ in thousands except shares and per share data) | | | | | | |
| Revenues | | | | | | |
| License | \$ 13,849 | \$ 16,690 | \$ 13,091 | \$ 10,425 | \$ 13,283 | |
| Maintenance and support | 15,917 | 15,420 | 16,224 | 15,798 | 16,168 | |
| Services | <u>18,298</u> | <u>12,542</u> | <u>18,622</u> | <u>23,619</u> | <u>20,291</u> | |
| Total revenues | 48,064 | 44,652 | 47,937 | 49,842 | 49,742 | |
| Cost of revenues | | | | | | |
| License | 475 | 295 | 323 | 230 | 256 | (1) |
| Maintenance and support | 4,472 | 4,168 | 4,043 | 4,278 | 4,625 | (1) |
| Services | 13,260 | 10,481 | 13,818 | 17,697 | 15,039 | (1) |
| Amortization of purchased technology and contract intangibles | 1,103 | 653 | 420 | 420 | 420 | (1) |
| Stock based compensation | <u>214</u> | <u>112</u> | <u>92</u> | <u>114</u> | <u>68</u> | (1) |
| Total cost of revenues | 19,524 | 15,709 | 18,696 | 22,739 | 20,408 | |
| Gross profit | 28,540 | 28,943 | 29,241 | 27,103 | 29,334 | |
| Operating expenses | | | | | | |
| Research and development | 11,552 | 10,808 | 10,871 | 9,766 | 9,625 | (1) |
| Sales and marketing | 9,866 | 9,779 | 11,643 | 10,565 | 10,925 | (1) |
| General and administrative | 6,893 | 7,366 | 6,404 | 7,392 | 6,006 | (1) |
| Professional fees associated with unusual events | 743 | 207 | (44) | 344 | 503 | (4) |
| Restructuring and related costs | 427 | 5,061 | 2,274 | 422 | 1,353 | |
| Amortization of other intangibles and impairment of goodwill | 59,669 | 47 | - | - | - | (1) |
| Stock based compensation | <u>715</u> | <u>594</u> | <u>458</u> | <u>433</u> | <u>370</u> | (1) |
| Total operating expenses | 89,865 | 33,862 | 31,606 | 28,922 | 28,782 | |
| Operating income (loss) from continuing operations | (61,325) | (4,919) | (2,365) | (1,819) | 552 | |
| Interest and other, net | <u>(1,436)</u> | <u>(2,259)</u> | <u>(172)</u> | <u>(1,209)</u> | <u>(220)</u> | |
| Income (loss) from continuing operations before income taxes | (62,761) | (7,178) | (2,537) | (3,028) | 332 | |
| Income taxes | <u>1,029</u> | <u>590</u> | <u>907</u> | <u>498</u> | <u>119</u> | |
| Net income before cumulative effect of change in accounting principle | | | | | | |
| Cumulative effect of change in accounting principle | | | | | | |
| Net income (loss) from continuing operations | (63,790) | (7,768) | (3,444) | (3,526) | 213 | |
| Diluted net income (loss) from continuing operations per share | \$ (0.77) | \$ (0.09) | \$ (0.04) | \$ (0.04) | \$ 0.00 | |
| Discontinued operations gain/(loss) | (371) | - | - | 4,516 | - | |
| Net income (loss) | \$ (64,161) | \$ (7,768) | \$ (3,444) | \$ 990 | \$ 213 | |
| Diluted net income (loss) per share | \$ (0.77) | \$ (0.09) | \$ (0.04) | \$ 0.01 | \$ 0.00 | |
| Shares used in computing GAAP net income (loss) per share | 82,855 | 83,023 | 83,177 | 83,295 | 84,910 | (2) |



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|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------|
| Reconciliation of GAAP to Non-GAAP Expense Categories | | | | | | |
| GAAP cost of license revenue | \$ 1,567 | \$ 937 | \$ 732 | \$ 639 | \$ 665 | (3) |
| Deduct amortization of purchased technology | <u>1,092</u> | <u>642</u> | <u>409</u> | <u>409</u> | <u>409</u> | |
| Non-GAAP cost of license revenue | \$ 475 | \$ 295 | \$ 323 | \$ 230 | \$ 256 | |
| GAAP cost of maintenance and support | \$ 4,518 | \$ 4,232 | \$ 4,086 | \$ 4,327 | \$ 4,668 | (3) |
| Deduct amortization of purchased contract intangibles | 11 | 11 | 11 | 11 | 11 | |
| Deduct stock-based compensation | <u>35</u> | <u>53</u> | <u>32</u> | <u>38</u> | <u>32</u> | |
| Non-GAAP cost of maintenance and support | \$ 4,472 | \$ 4,168 | \$ 4,043 | \$ 4,278 | \$ 4,625 | |
| GAAP cost of services | \$ 13,439 | \$ 10,540 | \$ 13,878 | \$ 17,773 | \$ 15,075 | (3) |
| Deduct stock-based compensation | <u>179</u> | <u>59</u> | <u>60</u> | <u>76</u> | <u>36</u> | |
| Non-GAAP cost of services | \$ 13,260 | \$ 10,481 | \$ 13,818 | \$ 17,697 | \$ 15,039 | |
| GAAP research and development | \$ 12,055 | \$ 11,055 | \$ 11,025 | \$ 9,864 | \$ 9,667 | (3) |
| Deduct amortization of acquisition-related costs | 126 | 42 | - | - | - | |
| Deduct stock-based compensation | <u>377</u> | <u>205</u> | <u>154</u> | <u>98</u> | <u>42</u> | |
| Non-GAAP research and development | \$ 11,552 | \$ 10,808 | \$ 10,871 | \$ 9,766 | \$ 9,625 | |
| GAAP sales and marketing | \$ 10,032 | \$ 9,931 | \$ 11,768 | \$ 10,711 | \$ 11,052 | (3) |
| Deduct stock-based compensation | <u>166</u> | <u>152</u> | <u>125</u> | <u>146</u> | <u>127</u> | |
| Non-GAAP sales and marketing | \$ 9,866 | \$ 9,779 | \$ 11,643 | \$ 10,565 | \$ 10,925 | |
| GAAP general and administrative | \$ 7,808 | \$ 7,810 | \$ 6,539 | \$ 7,925 | \$ 6,710 | (3) |
| Deduct professional fees associated with unusual events | 743 | 207 | (44) | 344 | 503 | |
| Deduct stock-based compensation | <u>172</u> | <u>237</u> | <u>179</u> | <u>189</u> | <u>201</u> | |
| Non-GAAP general and administrative | \$ 6,893 | \$ 7,366 | \$ 6,404 | \$ 7,392 | \$ 6,006 | |



| Unaudited | FY09 Q2 Dec-08 | FY09 Q3 Mar-09 | FY09 Q4 Jun-09 | FY10 Q1 Sep-09 | FY10 Q2 Dec-09 | Notes |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|--------|
| Non-GAAP Net Income (Loss) (\$ in thousands except shares and per share data) | | | | | | |
| GAAP net income (loss) | \$ (64,161) | \$ (7,768) | \$ (3,444) | \$ 990 | \$ 213 | |
| Add back: | | | | | | |
| Restructuring and related costs | 427 | 5,061 | 2,274 | 422 | 1,353 | |
| Acquisition-related costs and amortization | 1,255 | 700 | 420 | 420 | 420 | |
| Stock based compensation | 929 | 706 | 550 | 547 | 438 | |
| Professional fees associated with unusual events | 743 | 207 | (44) | 344 | 503 | (4) |
| Impairment of Goodwill | 59,517 | - | - | - | - | |
| Realized losses and impairment of investments and non-marketable securities | 2,536 | 1,612 | - | 1,464 | 651 | |
| Discontinued operations | 371 | - | - | (4,516) | - | (5) |
| Tax impact of the above reconciling items | (267) | (133) | (34) | (51) | (51) | |
| Non-GAAP net income (loss) | \$ 1,350 | \$ 385 | \$ (278) | (380) | 3,527 | |
| Fully diluted non-GAAP net income (loss) per share | \$ 0.02 | \$ 0.00 | \$ (0.00) | (0.00) | 0.04 | |
| Shares used in computing pro forma fully diluted net income per share | 82,855 | 83,025 | 83,177 | 83,295 | 84,910 | |
| % of Revenue | | | | | | |
| License revenues | 28.8% | 37.4% | 27.3% | 20.9% | 26.7% | |
| Maintenance and support revenues | 33.1% | 34.5% | 33.8% | 31.7% | 32.5% | |
| Services revenues | 38.1% | 28.1% | 38.9% | 47.4% | 40.8% | |
| License gross margin | 96.6% | 98.2% | 97.5% | 97.8% | 98.1% | (1) |
| Maintenance and support gross margin | 71.9% | 73.0% | 75.1% | 72.9% | 71.4% | (1) |
| Services gross margin | <u>27.5%</u> | <u>16.4%</u> | <u>25.8%</u> | <u>25.1%</u> | <u>25.9%</u> | (1) |
| Non-GAAP gross margin | 62.1% | 66.5% | 62.1% | 55.4% | 60.0% | |
| Amortization of purchased technology and contract intangibles | 2.3% | 1.5% | 0.9% | 0.8% | 0.9% | |
| Stock based compensation | <u>0.4%</u> | <u>0.2%</u> | <u>0.2%</u> | <u>0.2%</u> | <u>0.1%</u> | |
| Gross margin (GAAP) | 59.4% | 64.8% | 61.0% | 54.4% | 59.0% | |
| Research and development, excluding stock-based compensation | 24.0% | 24.2% | 22.7% | 19.6% | 19.3% | (1) |
| Sales and marketing, excluding stock-based compensation | 20.6% | 21.9% | 24.3% | 21.2% | 22.0% | (1) |
| General and administrative, excluding stock-based compensation | <u>14.3%</u> | <u>16.5%</u> | <u>13.4%</u> | <u>14.8%</u> | <u>12.1%</u> | (1) |
| Non-GAAP operating expenses | 58.9% | 62.6% | 60.4% | 55.6% | 53.4% | (1, 6) |
| Professional fees associated with unusual events | 1.5% | 0.5% | -0.1% | 0.7% | 1.0% | |
| Restructuring and related costs | 0.9% | 11.3% | 4.7% | 0.8% | 2.7% | |
| Amortization of other intangibles and impairment of goodwill | 124.1% | 0.1% | 0.0% | 0.0% | 0.0% | |
| Stock based compensation | <u>1.6%</u> | <u>1.3%</u> | <u>1.0%</u> | <u>0.9%</u> | <u>0.7%</u> | |
| Total operating expenses (GAAP) | 187.0% | 75.8% | 66.0% | 58.0% | 57.8% | |
| Operating profit /(loss) from continuing operations | -127.6% | -11.0% | -4.9% | -3.6% | 1.1% | |
| Net profit /(loss) from continuing operations | -132.7% | -17.4% | -7.2% | -7.1% | 0.4% | |



| Unaudited | FY09 Q2 Dec-08 | FY09 Q3 Mar-09 | FY09 Q4 Jun-09 | FY10 Q1 Sep-09 | FY10 Q2 Dec-09 | Notes |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------|
| Reconciliation of GAAP to Non-GAAP % of Revenue Categories | | | | | | |
| GAAP cost of license revenue | 88.7% | 94.4% | 94.4% | 93.9% | 95.0% | |
| Deduct amortization of purchased technology | <u>-7.9%</u> | <u>-3.8%</u> | <u>-3.1%</u> | <u>-3.9%</u> | <u>-3.1%</u> | |
| Non-GAAP cost of license revenue | 96.6% | 98.2% | 97.5% | 97.8% | 98.1% | |
| GAAP cost of maintenance and support | 71.6% | 72.6% | 74.8% | 72.6% | 71.1% | |
| Deduct amortization of purchased contract intangibles | -0.1% | -0.1% | -0.1% | -0.1% | -0.1% | |
| Deduct stock-based compensation | <u>-0.2%</u> | <u>-0.3%</u> | <u>-0.2%</u> | <u>-0.2%</u> | <u>-0.2%</u> | |
| Non-GAAP cost of maintenance and support | 71.9% | 73.0% | 75.1% | 72.9% | 71.4% | |
| GAAP cost of services | 26.7% | 16.0% | 25.5% | 24.8% | 25.7% | |
| Deduct stock-based compensation | <u>-0.8%</u> | <u>-0.4%</u> | <u>-0.3%</u> | <u>-0.3%</u> | <u>-0.2%</u> | |
| Non-GAAP cost of services | 27.5% | 16.4% | 25.8% | 25.1% | 25.9% | |
| GAAP research and development | 25.1% | 24.8% | 23.0% | 19.8% | 19.4% | |
| Deduct amortization of acquisition-related costs | 0.3% | 0.1% | 0.0% | 0.0% | 0.0% | |
| Deduct stock-based compensation | <u>0.8%</u> | <u>0.5%</u> | <u>0.3%</u> | <u>0.2%</u> | <u>0.1%</u> | |
| Non-GAAP research and development | 24.0% | 24.2% | 22.7% | 19.6% | 19.3% | |
| GAAP sales and marketing | 20.9% | 22.2% | 24.6% | 21.5% | 22.3% | |
| Deduct 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 | 20.6% | 21.9% | 24.3% | 21.2% | 22.0% | |
| GAAP general and administrative | 16.2% | 17.5% | 13.7% | 15.9% | 13.5% | |
| Deduct professional fees associated with unusual events | 1.5% | 0.5% | -0.1% | 0.7% | 1.0% | |
| Deduct stock-based compensation | <u>0.4%</u> | <u>0.5%</u> | <u>0.4%</u> | <u>0.4%</u> | <u>0.4%</u> | |
| Non-GAAP general and administrative | 14.3% | 16.5% | 13.4% | 14.8% | 12.1% | |

| Unaudited | FY09 Q2 | FY09 Q3 | FY09 Q4 | FY10 Q1 | FY10 Q2 | Notes |
|--|----------------|----------------|----------------|----------------|----------------|--------------|
| | Dec-08 | Mar-09 | Jun-09 | Sep-09 | Dec-09 | |
| % Qtr-over-Qtr Growth | | | | | | |
| License revenues | -3% | 21% | -22% | -20% | 27% | |
| Maintenance and support revenues | -3% | -3% | 5% | -3% | 2% | |
| Services revenues | -10% | -31% | 48% | 27% | -14% | |
| Total revenues | -6% | -7% | 7% | 4% | 0% | |
| Geographic Information | | | | | | |
| Revenue (\$ in millions) | | | | | | |
| Americas | 28.4 | 30.1 | 33.3 | 32.3 | 30.6 | |
| EMEA | 8.3 | 6.4 | 5.6 | 7.0 | 6.5 | |
| Asia | 11.4 | 8.2 | 9.0 | 10.5 | 12.7 | |
| Total revenues | 48.1 | 44.7 | 47.9 | 49.7 | 49.8 | |
| Americas | 59% | 67% | 69% | 65% | 61% | |
| EMEA | 17% | 14% | 12% | 14% | 13% | |
| Asia | 24% | 18% | 19% | 21% | 26% | |
| Disaggregate Revenue Information (\$ in millions) | | | | | | |
| Revenue (\$ in millions) | | | | | | |
| Service Mediation | 22.0 | 25.7 | 20.1 | 22.2 | 23.7 | |
| Messaging | 16.9 | 13.7 | 22.1 | 20.1 | 18.7 | |
| Other | 9.2 | 5.2 | 5.7 | 7.5 | 7.4 | |
| % of total revenues | | | | | | |
| Service Mediation | 46% | 58% | 42% | 45% | 48% | |
| Messaging | 35% | 31% | 46% | 40% | 37% | |
| Other | 19% | 12% | 12% | 15% | 15% | |
| Balance Sheet & Other (\$ in millions except days and per share data) | | | | | | |
| Bookings | 39.3 | 37.6 | 49.1 | 47.3 | 46.5 | (7, 13) |
| Backlog | 217 | 198 | 197 | 193 | 189 | (7) |
| Accounts receivable, (net) | 54.6 | 31.6 | 31.1 | 36.4 | 30.4 | (8) |
| Deferred revenue | 62.6 | 51.0 | 50.3 | 49.8 | 48.0 | (8) |
| Total DSO | 102 | 64 | 58 | 66 | 55 | |
| Cash & investments | 119.0 | 121.7 | 126.7 | 121.6 | 128.5 | |
| Cash & investments per fully diluted share | 1.44 | 1.47 | 1.52 | 1.46 | 1.51 | |
| Capital expenditure, net | 0.0 | 1.8 | 1.2 | 0.6 | 0.3 | (8) |
| Depreciation & amortization of intangibles | 2.9 | 2.3 | 2.0 | 1.9 | 1.9 | (8, 10) |



| Unaudited | FY09 Q2 Dec-08 | FY09 Q3 Mar-09 | FY09 Q4 Jun-09 | FY10 Q1 Sep-09 | FY10 Q2 Dec-09 | Notes |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------|
| Headcount | | | | | | |
| Functional | | | | | | |
| Research and development | 187 | 182 | 155 | 164 | 155 | |
| Sales and marketing | 115 | 119 | 117 | 114 | 114 | |
| Services | 211 | 211 | 210 | 216 | 214 | (11) |
| General and administrative | <u>114</u> | <u>118</u> | <u>108</u> | <u>114</u> | <u>113</u> | |
| Total permanent employees | 627 | 630 | 590 | 608 | 596 | |
| Geographic | | | | | | |
| Americas | 361 | 368 | 339 | 353 | 347 | |
| EMEA | 178 | 176 | 170 | 175 | 170 | |
| Asia | <u>88</u> | <u>86</u> | <u>81</u> | <u>80</u> | <u>79</u> | |
| Total permanent employees | 627 | 630 | 590 | 608 | 596 | |
| Carrier Service Provider (CSP) Information | | | | | | |
| CSP's with revenue >10% | | | | | | (12) |
| A | 26% (s) | 32% (a) | 34% (s) | 40% | 37% | (s) |
| B | 14% (a) | 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 the stock option lawsuit and special investigation, net of insurance reimbursements.
 - (5) Includes gain on sale of discontinued operations.
 - (6) Excludes Professional fees associated with unusual events, restructuring charges, intangible amortization, stock based compensation and goodwill impairment.
 - (7) Excludes activity related to Content and Client product lines.
 - (8) Includes activity related to Client product line.
 - (9) Days Sales Outstanding calculation is (end of quarter accounts receivable / revenue for quarter) x 90.
 - (10) Depreciation and amortization includes depreciation on fixed assets and amortization of intangible assets.
 - (11) Services headcount includes employees engaged in maintenance & support, customer education, consulting and customer advocacy functions.
 - (12) Letter in parentheses represents the customer name: (a) for ATT, (s) for Sprint (including Nextel)
 - (13) 3Q'F09 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.