

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

	<u>December 31,</u> <u>2009</u>	<u>June 30,</u> <u>2009</u>
Assets		
Current Assets:		
Cash, cash equivalents and short-term investments	\$ 105,149	\$ 109,082
Accounts receivable, net	30,402	31,107
Prepaid and other current assets	22,620	26,801
Total current assets	158,171	166,990
Property and equipment, net	8,864	11,566
Long-term investments and restricted cash and investments	23,307	17,618
Deposits and other assets	8,090	8,313
Goodwill	267	-
Intangible assets, net	3,040	3,880
Total assets	\$ 201,739	\$ 208,367
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 4,223	\$ 5,348
Accrued liabilities	23,562	23,079
Accrued restructuring costs	14,273	15,327
Deferred revenue	36,301	38,349
Total current liabilities	78,359	82,103
Accrued restructuring costs, less current portion	28,798	34,843
Deferred revenue, less current portion	11,707	11,901
Deferred rent obligations and long-term taxes payable	4,989	6,824
Total liabilities	123,853	135,671
Stockholders' equity	77,886	72,696
Total liabilities and stockholders' equity	\$ 201,739	\$ 208,367

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

	Three Months Ended			Six Months Ended	
	December 31, 2009	September 30, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Revenues:					
License	\$ 13,283	\$ 10,425	\$ 13,849	\$ 23,708	\$ 28,176
Maintenance and support	16,168	15,798	15,917	31,966	32,295
Services	20,291	23,619	18,298	43,910	38,638
Total revenues	<u>49,742</u>	<u>49,842</u>	<u>48,064</u>	<u>99,584</u>	<u>99,109</u>
Cost of revenues:					
License	256	230	475	486	1,629
Maintenance and support	4,657	4,316	4,507	8,973	8,748
Services	15,075	17,773	13,439	32,848	27,886
Amortization of intangible assets	420	420	1,103	840	2,232
Total cost of revenues	<u>20,408</u>	<u>22,739</u>	<u>19,524</u>	<u>43,147</u>	<u>40,495</u>
Gross profit	<u>29,334</u>	<u>27,103</u>	<u>28,540</u>	<u>56,437</u>	<u>58,614</u>
Operating Expenses:					
Research and development	9,667	9,864	11,929	19,531	24,089
Sales and marketing	11,052	10,711	10,032	21,763	20,776
General and administrative	6,710	7,925	7,808	14,635	18,428
Restructuring and other related costs	1,353	422	427	1,775	2,330
Acquisition-related costs and amortization	-	-	152	-	304
Impairment of goodwill	-	-	59,517	-	59,517
Total operating expenses	<u>28,782</u>	<u>28,922</u>	<u>89,865</u>	<u>57,704</u>	<u>125,444</u>
Operating income (loss) from continuing operations	552	(1,819)	(61,325)	(1,267)	(66,830)
Interest and other income (expense), net	(220)	(1,209)	(1,436)	(1,429)	(7,932)
Pre-tax income (loss) from continuing operations	332	(3,028)	(62,761)	(2,696)	(74,762)
Income taxes	119	498	1,029	617	1,532
Net income (loss) from continuing operations	213	(3,526)	(63,790)	(3,313)	(76,294)
Net loss from discontinued operations, net of tax	-	-	(371)	-	(371)
Gain on sale of discontinued operations	-	4,516	-	4,516	2,000
Net income (loss)	<u>\$ 213</u>	<u>\$ 990</u>	<u>\$ (64,161)</u>	<u>\$ 1,203</u>	<u>\$ (74,665)</u>
Basic net income (loss) per share from:					
Continuing operations	\$ -	\$ (0.04)	\$ (0.77)	\$ (0.04)	\$ (0.92)
Discontinued operations	-	0.05	-	0.05	0.02
Net income (loss) per share	<u>\$ -</u>	<u>\$ 0.01</u>	<u>\$ (0.77)</u>	<u>\$ 0.01</u>	<u>\$ (0.90)</u>
Diluted net income (loss) per share from:					
Continuing operations	\$ -	\$ (0.04)	\$ (0.77)	\$ (0.04)	\$ (0.92)
Discontinued operations	-	0.05	-	0.05	0.02
Net income (loss) per share	<u>\$ -</u>	<u>\$ 0.01</u>	<u>\$ (0.77)</u>	<u>\$ 0.01</u>	<u>\$ (0.90)</u>
Shares used in basic net income (loss) per share	83,408	83,295	82,855	83,352	82,814
Shares used in diluted net income (loss) per share	84,910	83,295	82,855	83,352	82,814
Stock-based compensation by category:					
Maintenance and support	\$ 32	\$ 38	\$ 35	\$ 70	\$ 107
Services	36	76	179	112	345
Research and development	42	98	377	140	627
Sales and marketing	127	146	166	273	298
General and administrative	201	189	172	390	523
	<u>\$ 438</u>	<u>\$ 547</u>	<u>\$ 929</u>	<u>\$ 985</u>	<u>\$ 1,900</u>

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

(In thousands, except per share data)

	Three Months Ended			Six Months Ended	
	December 31,	September 30,	December 31,	December 31,	December 31,
	2009	2009	2008	2009	2008
Reconciliation between GAAP and Non-GAAP net income (loss):					
Net income (loss)	\$ 213	\$ 990	\$ (64,161)	\$ 1,203	\$ (74,665)
Exclude:					
Restructuring and other related costs	1,353	422	427	1,775	2,330
Acquisition-related costs and amortization(a)	420	420	1,255	840	2,536
Amortization of stock-based compensation	438	547	929	985	1,900
Professional fees associated with unusual events(b)	503	344	743	847	2,747
Discontinued operations, net of tax(c)	-	(4,516)	371	(4,516)	(1,629)
Realized losses and other-than-temporary impairments of investments	651	1,464	2,536	2,115	8,168
Impairment of goodwill	-	-	59,517	-	59,517
Tax impact of reconciling items(d)	(51)	(51)	(267)	(102)	(560)
Non-GAAP net income (loss)	<u>\$ 3,527</u>	<u>\$ (380)</u>	<u>\$ 1,350</u>	<u>\$ 3,147</u>	<u>\$ 344</u>
Diluted GAAP net income (loss) per share	\$ -	\$ 0.01	\$ (0.77)	\$ 0.01	\$ (0.90)
Exclude:					
Restructuring and other related costs	\$ 0.01	\$ -	\$ 0.01	\$ 0.01	\$ 0.03
Acquisition-related costs and amortization(a)	\$ -	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03
Amortization of stock-based compensation	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02
Professional fees associated with unusual events(b)	\$ 0.01	\$ -	\$ 0.01	\$ 0.01	\$ 0.03
Discontinued operations, net of tax(c)	\$ -	\$ (0.05)	\$ -	\$ (0.05)	\$ (0.02)
Realized losses and other-than-temporary impairments of investments	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.10
Impairment of goodwill	\$ -	\$ -	\$ 0.72	\$ -	\$ 0.72
Tax impact of reconciling items(d)	\$ -	\$ -	\$ -	\$ -	\$ (0.01)
Diluted non-GAAP net income per share	<u>\$ 0.04</u>	<u>\$ -</u>	<u>\$ 0.02</u>	<u>\$ 0.04</u>	<u>\$ -</u>
Shares used in computing diluted earnings per share	84,910	83,295	82,855	83,352	82,814

(a)Acquisition-related costs relates to retention-based consideration 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 and other unusual events, net of insurance reimbursements.

(c)Relates to the release of escrowed funds associated with the previous sale of Musiwave.

(d)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			Six Months Ended	
	December 31, 2009	September 30, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Operating activities:					
Net income (loss)	\$ 213	\$ 990	\$ (64,161)	\$ 1,203	\$ (74,665)
Gain on sale of discontinued operation	-	(4,516)	-	(4,516)	(2,000)
Reconciling items:					
Depreciation, amortization of intangibles and stock-based compensation	2,361	2,448	3,780	4,809	7,550
Non-cash restructuring charges	369	391	429	760	876
Accelerated depreciation on restructured property and equipment	181	-	-	181	235
Provision for (recovery of) doubtful accounts	(350)	31	(202)	(319)	(165)
Other non-cash items, net	1,126	64	63	1,190	210
Payment of legal settlement, net of insurance reimbursement	-	-	(5,000)	-	(5,000)
Realized losses and other-than-temporary impairments of investments	651	1,464	2,536	2,115	8,168
Goodwill impairment	-	-	59,517	-	59,517
Changes in operating assets and liabilities	1,715	(9,661)	(4,476)	(7,946)	(5,163)
Net cash provided by (used for) operating activities	<u>6,266</u>	<u>(8,789)</u>	<u>(7,514)</u>	<u>(2,523)</u>	<u>(10,437)</u>
Investing activities:					
Purchases of property and equipment, net	(314)	(607)	(23)	(921)	(500)
Sale of discontinued operation, net	-	4,516	1,916	4,516	11,634
Proceeds of investments, net	(20,728)	(700)	10,264	(21,428)	19,233
Maturities of restricted cash and investments, net	(10)	419	-	409	-
Net cash provided by (used for) investing activities	<u>(21,052)</u>	<u>3,628</u>	<u>12,157</u>	<u>(17,424)</u>	<u>30,367</u>
Financing activities:					
Payment on notes payable	-	-	-	-	(150,000)
Net proceeds from issuance of common stock	169	81	73	250	73
Cash provided by (used for) financing activities	<u>169</u>	<u>81</u>	<u>73</u>	<u>250</u>	<u>(149,927)</u>
Net increase (decrease) in cash and cash equivalents	(14,617)	(5,080)	4,716	(19,697)	(129,997)
Cash and cash equivalents at beginning of period	86,465	91,545	61,437	91,545	196,150
Cash and cash equivalents at end of period, including discontinued operations	<u>\$ 71,848</u>	<u>\$ 86,465</u>	<u>\$ 66,153</u>	<u>\$ 71,848</u>	<u>\$ 66,153</u>