

OPENWAVE SYSTEMS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS-UNAUDITED

(In thousands)

	June 30, 2008	June 30, 2007
Assets		
Current Assets:		
Cash, cash equivalents and short-term investments	\$ 224,809	\$ 240,644
Restricted cash	42	2,061
Accounts receivable, net	78,550	72,894
Prepaid and other current assets	33,404	30,482
Note receivable from sale of discontinued operations	12,294	-
Current assets of discontinued operation	-	19,039
Total current assets	349,099	365,120
Property and equipment, net	13,941	19,834
Long-term investments and restricted cash and investments	52,419	37,944
Deposits and other assets	7,762	4,575
Goodwill and intangible assets, net	66,523	86,162
Noncurrent assets of discontinued operation	-	34,652
Total assets	\$ 489,744	\$ 548,287
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 4,918	\$ 10,288
Accrued liabilities	45,329	56,344
Accrued restructuring costs	13,845	26,118
Deferred revenue	48,239	46,342
Convertible subordinated notes, net	149,842	-
Current liabilities of discontinued operation	-	18,837
Total current liabilities	262,173	157,929
Accrued restructuring costs, less current portion	41,927	51,140
Deferred revenue, less current portion	17,655	11,917
Deferred rent obligations and long-term taxes payable	7,876	1,649
Deferred tax liabilities, net	98	1,349
Convertible subordinated notes, net	-	149,017
Noncurrent liabilities of discontinued operation	-	5,034
Total liabilities	329,729	378,035
Stockholders' equity	160,015	170,252
Total liabilities and stockholders' equity	\$ 489,744	\$ 548,287

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

	Three Months Ended			Year Ended	
	June 30, 2008	March 31, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenues:					
License	\$ 13,477	\$ 13,742	\$ 17,294	\$ 50,272	\$ 63,524
Maintenance and support	20,217	14,886	19,144	71,240	74,111
Services	19,793	18,364	24,517	79,365	105,187
Total revenues	<u>53,487</u>	<u>46,992</u>	<u>60,955</u>	<u>200,877</u>	<u>242,822</u>
Cost of revenues:					
License	816	981	1,491	3,635	4,768
Maintenance and support	4,558	5,176	6,913	21,692	24,119
Services	14,177	13,163	17,790	59,257	76,776
Amortization of intangible assets	1,130	1,130	1,291	4,819	4,449
Total cost of revenues	<u>20,681</u>	<u>20,450</u>	<u>27,485</u>	<u>89,403</u>	<u>110,112</u>
Gross profit	<u>32,806</u>	<u>26,542</u>	<u>33,470</u>	<u>111,474</u>	<u>132,710</u>
Operating Expenses:					
Research and development	12,303	13,223	15,442	50,024	62,271
Sales and marketing	13,143	15,696	23,467	64,174	93,527
General and administrative	15,835	7,496	16,073	46,954	67,060
Stock option review and associated costs	-	-	-	-	6,782
Restructuring and other related costs	1,253	5,852	16,277	8,641	29,224
Acquisition-related costs and amortization	153	140	136	841	276
Gain on sale of technology	-	-	-	-	(1,287)
Total operating expenses	<u>42,687</u>	<u>42,407</u>	<u>71,395</u>	<u>170,634</u>	<u>257,853</u>
Operating loss from continuing operations	(9,881)	(15,865)	(37,925)	(59,160)	(125,143)
Interest and other (expense), net	(651)	(1,091)	3,430	3,641	18,293
Gain on/(Impairment of) investment in non-marketable equity securities	-	-	1,065	-	(120)
Pre-tax loss from continuing operations	<u>(10,532)</u>	<u>(16,956)</u>	<u>(33,430)</u>	<u>(55,519)</u>	<u>(106,970)</u>
Income taxes	1,519	681	1,840	3,337	5,161
Net loss from continuing operations	<u>(12,051)</u>	<u>(17,637)</u>	<u>(35,270)</u>	<u>(58,856)</u>	<u>(112,131)</u>
Net income (loss) from discontinued operation, net of tax	473	2,889	(576)	6,804	3,462
Impairment of assets of discontinued operations, net of tax	-	-	(87,968)	-	(87,968)
Gain on sale of discontinued operation	19,735	-	-	36,190	-
Net income (loss)	<u>\$ 8,157</u>	<u>\$ (14,748)</u>	<u>\$ (123,814)</u>	<u>\$ (15,862)</u>	<u>\$ (196,637)</u>
Basic and diluted net income (loss) per share from:					
Continuing operations	\$ (0.14)	\$ (0.21)	\$ (0.43)	\$ (0.71)	\$ (1.24)
Discontinued operation	0.24	0.03	(1.07)	0.52	(0.94)
Net income (loss) per share	<u>\$ 0.10</u>	<u>\$ (0.18)</u>	<u>\$ (1.50)</u>	<u>\$ (0.19)</u>	<u>\$ (2.18)</u>
Shares used in basic and diluted net income (loss) per share	82,682	82,557	82,449	82,465	90,246
Stock-based compensation by category:					
Maintenance and support	\$ 48	\$ 100	\$ 139	\$ 632	\$ 764
Services	181	269	208	1,229	1,196
Research and development	154	248	703	1,481	2,127
Sales and marketing	258	480	752	2,388	6,745
General and administrative	371	756	(459)	2,580	6,470
Restructuring and other related costs	-	-	1,691	-	4,489
Discontinued operation	34	57	251	698	1,225
	<u>\$ 1,046</u>	<u>\$ 1,910</u>	<u>\$ 3,285</u>	<u>\$ 9,008</u>	<u>\$ 23,016</u>

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

(In thousands, except per share data)

	Three Months Ended			Year Ended	
	June 30, 2008	March 31, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Reconciliation between GAAP and Non-GAAP net income (loss):					
Net income (loss)	\$ 8,157	\$ (14,748)	\$ (123,814)	\$ (15,862)	\$ (196,637)
Exclude:					
Restructuring and other related costs	1,253	5,852	16,277	8,641	29,224
Acquisition-related costs and amortization(a)	1,283	1,270	1,427	5,660	4,725
Amortization of stock-based compensation	1,012	1,853	1,343	8,310	17,302
Professional fees associated with unusual events(b)	6,504	(710)	3,314	7,505	12,476
Retention bonuses related to strategic alternatives	-	-	3,078	3,113	3,450
Gain on sale of technology	-	-	-	-	(1,287)
Discontinued operations, net of tax	(20,208)	(2,889)	88,544	(42,994)	84,506
Gain on/(Impairment of) investment in non-marketable equity securities	-	-	(1,065)	-	120
Other-than-temporary impairments of investments	1,206	2,383	-	3,713	-
Tax impact of reconciling items(c)	(111)	(190)	(334)	(1,005)	(1,501)
Non-GAAP net loss	<u>\$ (904)</u>	<u>\$ (7,179)</u>	<u>\$ (11,230)</u>	<u>\$ (22,919)</u>	<u>\$ (47,622)</u>
GAAP net loss per share - diluted	\$ 0.10	\$ (0.18)	\$ (1.50)	\$ (0.19)	\$ (2.18)
Exclude:					
Restructuring and other related costs	\$ 0.01	\$ 0.07	\$ 0.20	\$ 0.10	\$ 0.32
Acquisition-related costs and amortization(a)	\$ 0.02	\$ 0.02	\$ 0.01	\$ 0.07	\$ 0.05
Amortization of stock-based compensation	\$ 0.01	\$ 0.02	\$ 0.01	\$ 0.10	\$ 0.19
Professional fees associated with unusual events(b)	\$ 0.08	\$ (0.01)	\$ 0.04	\$ 0.09	\$ 0.14
Retention bonuses related to strategic alternatives	\$ -	\$ -	\$ 0.04	\$ 0.04	\$ 0.04
Gain on sale of technology	\$ -	\$ -	\$ -	\$ -	\$ (0.01)
Discontinued operation, net of tax	\$ (0.24)	\$ (0.04)	\$ 1.07	\$ (0.52)	\$ 0.94
Gain on/(Impairment of) investment in non-marketable equity securities	\$ -	\$ -	\$ (0.01)	\$ -	\$ -
Other-than-temporary impairments of investments	\$ 0.01	\$ 0.03	\$ -	\$ 0.04	\$ -
Tax impact of reconciling items(c)	\$ -	\$ -	\$ -	\$ (0.01)	\$ (0.02)
Non-GAAP net loss per share - diluted	<u>\$ (0.01)</u>	<u>\$ (0.09)</u>	<u>\$ (0.14)</u>	<u>\$ (0.28)</u>	<u>\$ (0.53)</u>
Shares used in computing diluted earnings per share	82,682	82,557	82,449	82,465	90,246

(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, special investigation, proxy contests and strategic alternatives, net of insurance reimbursement.

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

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

	Three Months Ended			Year Ended	
	June 30, 2008	March 31, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Operating activities:					
Net income (loss)	\$ 8,157	\$ (14,748)	\$ (123,814)	\$(15,862)	#####
Gain on sale of discontinued operation	(19,735)	-	-	(36,190)	-
Reconciling items:					
Depreciation, amortization of intangibles and stock-based compensation	5,524	6,755	10,242	28,698	52,184
Non-cash restructuring charges	1,024	518	258	2,587	2,641
Provision for (recovery of) doubtful accounts	525	(508)	(347)	(1,402)	3,238
Other non-cash items, net	907	477	(630)	(47)	(4,907)
Other-than-temporary impairments of investments	1,206	2,383	-	3,713	-
Proceeds from sale of technology	-	-	-	-	(1,287)
Impairment of goodwill and other intangibles	-	-	87,968	-	87,968
Changes in operating assets and liabilities, net of effect of acquisitions	(11,998)	(6,386)	25,037	(35,531)	53,946
Net cash used for operating activities	(14,390)	(11,509)	(1,286)	(54,034)	(2,854)
Investing activities:					
Purchases of property and equipment, net	(1,296)	(1,095)	(1,182)	(5,726)	(12,450)
Proceeds from sale of non-operating assets	-	-	-	1,065	-
Proceeds from sale of technology and other	-	-	-	-	1,287
Acquisitions, net of cash acquired in continuing operations	-	-	-	-	(12,090)
Restricted cash related to acquisitions	-	-	-	-	(1,250)
Sale of discontinued operation, net of cash divested and costs	20,000	(3,381)	-	56,001	-
Payments and restricted cash related to prior acquisitions	(438)	(438)	-	(1,422)	-
Proceeds of investments, net	11,830	46,133	87,328	123,447	138,801
Reclass of cash equivalents to short term investments	-	-	-	(9,796)	-
Restricted cash and investments	-	-	(519)	225	1,009
Net cash provided by investing activities	30,096	41,219	85,627	163,794	115,307
Financing activities:					
Payment on note payable	-	-	-	(113)	(305)
Net proceeds from issuance of common stock	-	-	245	88	622
Cash used to repurchase stock from employees	1	-	-	(504)	(988)
Stock buy back plan	-	-	(99,394)	-	(100,000)
Employee stock purchase plan	284	-	1,070	820	1,070
Dividends paid	-	-	-	-	(99,394)
Cash provided by (used for) financing activities	285	-	(98,079)	291	(198,995)
Effect of exchange rates on cash and cash equivalents	-	-	135	-	95
Net increase (decrease) in cash and cash equivalents	15,991	29,710	(13,603)	110,051	(86,447)
Cash and cash equivalents at beginning of period	180,159	150,449	99,702	86,099	172,546
Cash and cash equivalents at end of period, including discontinued operation	\$ 196,150	\$ 180,159	\$ 86,099	\$196,150	\$ 86,099

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