

## iPASS INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues	\$ 48,371	\$ 47,736	\$ 145,099	\$ 142,221
Operating expenses (a)				
Network access	20,147	17,396	61,588	50,939
Network operations	8,739	8,686	26,138	25,667
Research and development	3,845	5,589	12,288	16,484
Sales and marketing	10,724	12,316	31,403	39,610
General and administrative	5,579	5,395	16,703	16,213
Restructuring Charges (b)	30	13	60	(139)
Amortization of intangibles (c)	1,050	1,050	3,150	3,150
Total operating expenses	50,114	50,445	151,330	151,924
Operating loss	(1,743)	(2,709)	(6,231)	(9,703)
Other income (expense), net	(296)	772	659	2,372
Loss before income taxes	(2,039)	(1,937)	(5,572)	(7,331)
Provision for (benefit from) income taxes	59	(856)	(656)	(3,479)
Net loss	\$ (2,098)	\$ (1,081)	\$ (4,916)	\$ (3,852)
Net loss per share:				
Basic	\$ (0.03)	\$ (0.02)	\$ (0.08)	\$ (0.06)
Diluted	\$ (0.03)	\$ (0.02)	\$ (0.08)	\$ (0.06)
Number of shares used in per share calculations:				
Basic	61,243,465	62,347,697	61,185,203	62,971,291
Diluted	61,243,465	62,347,697	61,185,203	62,971,291
Non-GAAP Diluted Shares (a) FAS 123(R) stock-based compensation and amortization of deferred stock-based compensation included in the expense line items:	61,678,453	63,393,902	61,778,048	64,132,477
Network operations	314	224	872	617
Research and development	203	241	432	842
Sales and marketing	325	326	486	1,095
General and administrative	643	492	2,131	1,693
Total amortization of stock-based compensation	\$ 1,485	\$ 1,283	\$ 3,921	\$ 4,247
A reconciliation between operating loss on a GAAP basis and non-GAAP operating income (loss) is as follows:				
GAAP operating loss	\$ (1,743)	\$ (2,709)	\$ (6,231)	\$ (9,703)
(a) Amortization of stock-based compensation	1,485	1,283	3,921	4,247
(b) Restructuring charges	30	13	60	(139)
(c) Amortization of intangibles	1,050	1,050	3,150	3,150

Non-GAAP operating income (loss)	\$	822	\$	(363)	\$	900	\$	(2,445)
A reconciliation between net loss on a GAAP basis and non-GAAP net income (loss), net of tax effect, is as follows:								
GAAP net loss	\$	(2,098)	\$	(1,081)	\$	(4,916)	\$	(3,852)
(a) Amortization of stock-based compensation		1,485		1,283		3,921		4,247
(b) Restructuring charges		30		13		60		(139)
(c) Amortization of intangibles		1,050		1,050		3,150		3,150
(1) Provision for income taxes		-		(850)		-		(2,779)
Non-GAAP net income (loss)	\$	467	\$	415	\$	2,215	\$	627
A reconciliation between diluted net loss per share on a GAAP basis and non-GAAP diluted net income (loss) per share, net of tax effect, is as follows:								
GAAP diluted net loss per share	\$	(0.03)	\$	(0.02)	\$	(0.08)	\$	(0.06)
Per share effect of FAS 123(R) stock-based compensation, restructuring charges, amortization of intangibles, and provision for income taxes.								
		0.04		0.03		0.12		0.07
Non-GAAP diluted net income (loss) per share	\$	0.01	\$	0.01	\$	0.04	\$	0.01
(1) The estimated non-GAAP effective tax rate was 0% for the three and nine months ended September 30, 2008, due to the establishment of a full valuation allowance on deferred tax assets. The estimated non-GAAP effective tax rate was (44)% and (47)% for the three and nine months ended September 30, 2007, respectively and has been used to adjust the benefit from income taxes for non-GAAP purposes.								

iPASS INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)

	September 30, 2008	December 31, 2007
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Assets		
Current assets:		
Cash and cash equivalents	\$ 47,485	70,907
Short-term investments	20,545	4,258
Accounts receivable, net	36,903	35,938
Prepaid expenses and other current assets	6,913	7,116
Short-term deferred income tax assets	575	575
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Total current assets	112,421	118,794
Property and equipment, net	8,951	9,272
Other assets	6,447	4,876
Acquired intangibles, net	6,354	9,504
Goodwill	79,543	79,543
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Total assets	\$ 213,716	221,989
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Liabilities and Stockholders' Equity

Current liabilities:		
Accounts payable	\$ 16,650	15,923
Accrued liabilities	12,277	15,788
Short-term deferred revenue	5,576	6,606
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Total current liabilities	34,503	38,317
Deferred tax liability-long term	575	575
Long-term deferred revenue	1,859	949
Other long-term liabilities	447	1,040
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Total liabilities	\$ 37,384	40,881
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Stockholders' equity:		
Common stock	62	62
Additional paid-in capital	241,918	241,703
Accumulated other comprehensive income	(60)	15
Accumulated deficit	(65,588)	(60,672)
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Total stockholders' equity	176,332	181,108
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Total liabilities and stockholders' equity	\$ 213,716	221,989
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