

Tumbleweed Communications Corp.
Condensed Consolidated Balance Sheets
September 30, 2006
(in 000s)

ASSETS	09/30/2006 (unaudited)	12/31/2005 (unaudited)
CURRENT ASSETS		
Cash and cash equivalents	\$30,437	\$26,952
Accounts receivable, net	9,957	9,068
Other current assets	1,904	1,311
TOTAL CURRENT ASSETS	42,298	37,331
Goodwill	48,074	48,074
Intangible assets, net	1,909	3,978
Property and equipment, net	1,486	1,076
Other assets	585	645
TOTAL ASSETS	\$94,352	\$91,104
LIABILITIES & EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$530	\$527
Accrued liabilities	6,047	6,058
Accrued merger-related and other costs	139	178
Deferred revenue	19,893	17,935
TOTAL CURRENT LIABILITIES	26,609	24,698
LONG TERM LIABILITIES		
Accrued merger-related and other costs, excluding current portion	--	55
Deferred revenue, excluding current portion	4,940	5,011
Other long term liabilities	82	123
TOTAL LONG TERM LIABILITIES	5,022	5,189
TOTAL LIABILITIES	31,631	29,887
STOCKHOLDERS' EQUITY		
Common stock	51	50
Additional paid-in capital	358,112	353,424
Treasury stock	(796)	(796)
Deferred stock compensation expense	--	(165)
Accumulated other comprehensive loss	(581)	(593)
Accumulated deficit	(294,065)	(290,703)
TOTAL STOCKHOLDERS' EQUITY	62,721	61,217
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$94,352	\$91,104

Tumbleweed Communications Corp.
Condensed Consolidated Statements of Operations
September 30, 2006
(in 000s, except per share data)

	Three Months Ended September 30, (unaudited)		Nine Months Ended September 30, (unaudited)	
	2006	2005	2006	2005
REVENUES				
Product revenue	\$7,273	\$6,736	\$19,952	\$16,449
Service revenue	7,469	6,593	22,067	19,142
Intellectual property and other revenue	357	351	3,281	2,592
NET REVENUE	15,099	13,680	45,300	38,183
COST OF REVENUE				
Cost of product and service revenue(1)	3,235	2,298	8,073	6,083
Amortization of intangible assets	234	510	1,233	1,530
GROSS PROFIT	11,630	10,872	35,994	30,570
OPERATING EXPENSES				
Research and development(1)	3,783	3,279	11,003	9,186
Sales and marketing(1)	6,937	6,539	19,986	19,179
General and administrative(1)	2,365	1,517	8,314	4,437
Amortization of intangible assets	204	321	837	963
Merger-related and other costs	--	--	--	(96)
TOTAL OPERATING EXPENSES	13,289	11,656	40,140	33,669
OPERATING LOSS	(1,659)	(784)	(4,146)	(3,099)
Other income, net	278	250	843	655
NET LOSS BEFORE TAXES	(1,381)	(534)	(3,303)	(2,444)
Provision for income taxes	(7)	4	59	23
NET LOSS	\$ (1,374)	\$ (538)	\$ (3,362)	\$ (2,467)
BASIC AND DILUTED NET LOSS PER SHARE	\$ (0.03)	\$ (0.01)	\$ (0.07)	\$ (0.05)
RECONCILIATION TO NON-GAAP NET INCOME (LOSS)				
NET LOSS	\$ (1,374)	\$ (538)	\$ (3,362)	\$ (2,467)
Stock-based compensation expense	1,108	219	3,765	448
Amortization of intangible assets	438	831	2,070	2,493
Merger-related and other costs	--	--	--	(96)
NON-GAAP NET INCOME (LOSS)	\$172	\$512	\$2,473	\$378
NON-GAAP BASIC AND DILUTED NET INCOME (LOSS) PER SHARE	\$0.00	\$0.01	\$0.05	\$0.01
WEIGHTED AVERAGE SHARES:				
BASIC	50,111	48,767	49,905	48,419
DILUTED	50,111	48,767	49,905	48,419

(1) Stock-based compensation expense is classified as follows:

Cost of product and service revenue	\$35	\$(1)	\$112	\$1
Research and development	442	138	969	221
Sales and marketing	144	46	500	114
General and administrative	487	36	2,184	112
	\$1,108	\$219	\$3,765	\$448

Source: Tumbleweed Communications Corp.