

Knova Software, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
Amounts in thousands, except per share amounts
(Unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---------------------|--|-------------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Revenues | | | | |
| Licenses | \$2,208 | \$1,605 | \$6,409 | \$4,144 |
| Services | 3,511 | 2,368 | 10,351 | 5,553 |
| Total revenues | <u>5,719</u> | <u>3,973</u> | <u>16,760</u> | <u>9,697</u> |
| Cost of revenues | | | | |
| Cost of licenses | 227 | 116 | 647 | 260 |
| Cost of services | 2,186 | 1,493 | 6,034 | 3,192 |
| Total cost of revenues | <u>2,413</u> | <u>1,609</u> | <u>6,681</u> | <u>3,452</u> |
| Gross margin | <u>3,306</u> | <u>2,364</u> | <u>10,079</u> | <u>6,245</u> |
| Operating expenses | | | | |
| Sales and marketing | 2,080 | 1,137 | 5,784 | 3,678 |
| Research and development | 1,364 | 387 | 4,205 | 1,615 |
| General and administrative | 777 | 660 | 3,175 | 2,070 |
| Intangible assets amortization | 70 | - | 187 | - |
| Restructuring charges | - | - | 1,355 | - |
| Total operating expenses | <u>4,291</u> | <u>2,184</u> | <u>14,706</u> | <u>7,363</u> |
| Income (loss) from operations | <u>(985)</u> | <u>180</u> | <u>(4,627)</u> | <u>(1,118)</u> |
| Other income (expense) | | | | |
| Interest expense | (2) | (2) | (5) | (1,276) |
| Other (net) | 45 | 23 | 247 | 48 |
| Other income (expense), net | <u>43</u> | <u>21</u> | <u>242</u> | <u>(1,228)</u> |
| Net income (loss) | <u><u>(\$942)</u></u> | <u><u>\$201</u></u> | <u><u>(\$4,385)</u></u> | <u><u>(\$2,346)</u></u> |
| Net income (loss) per common share, basic: | (\$0.11) | \$0.04 | (\$0.53) | (\$0.46) |
| Net income (loss) per common share, diluted: | (\$0.11) | \$0.04 | (\$0.53) | (\$0.46) |
| Shares used in computing per share amounts, basic | <u>8,725</u> | <u>5,219</u> | <u>8,212</u> | <u>5,114</u> |
| Shares used in computing per share amounts, diluted | <u>8,725</u> | <u>5,317</u> | <u>8,212</u> | <u>5,114</u> |