

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

	Three months ended December 31,		Twelve months ended December 31,	
	2005	2004	2005	2004
Revenues				
Licenses	\$2,548	\$1,099	\$8,958	\$5,244
Services	4,286	1,705	14,637	7,258
Total revenues	<u>6,834</u>	<u>2,804</u>	<u>23,595</u>	<u>12,502</u>
Cost of revenues				
Cost of licenses	246	153	893	413
Cost of services	2,677	1,180	8,711	4,373
Total cost of revenues	<u>2,923</u>	<u>1,333</u>	<u>9,604</u>	<u>4,786</u>
Gross margin	3,911	1,471	13,991	7,716
Operating expenses				
Sales and marketing	2,338	1,104	8,123	4,782
Research and development	1,460	582	5,664	2,197
General and administrative	763	333	3,939	2,403
Intangible assets amortization	70	-	257	-
Restructuring charges	-	-	1,355	-
Total operating expenses	<u>4,631</u>	<u>2,019</u>	<u>19,338</u>	<u>9,382</u>
Loss from operations	(720)	(548)	(5,347)	(1,666)
Other income (expense)				
Interest expense	(5)	(2)	(10)	(1,278)
Other (net)	15	1,202	262	1,250
Other income (expense), net	<u>10</u>	<u>1,200</u>	<u>252</u>	<u>(28)</u>
Net income (loss)	<u><u>(\$710)</u></u>	<u><u>\$652</u></u>	<u><u>(\$5,095)</u></u>	<u><u>(\$1,694)</u></u>
Net income (loss) per common share, basic:	(\$0.08)	\$0.12	(\$0.61)	(\$0.33)
Net income (loss) per common share, diluted:	(\$0.08)	\$0.12	(\$0.61)	(\$0.33)
Shares used in computing per share amounts, basic	<u>8,726</u>	<u>5,219</u>	<u>8,341</u>	<u>5,140</u>
Shares used in computing per share amounts, diluted	<u>8,726</u>	<u>5,219</u>	<u>8,341</u>	<u>5,140</u>