

KNOVA Software, Inc.
CONSOLIDATED BALANCE SHEETS
Amounts in thousands, except per share amounts

	March 31,	December 31.
	2006	2005
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$7,112	\$6,731
Marketable securities	3,078	5,461
Accounts receivable, less allowance for doubtful accounts of \$118 at March 31, 2006 and \$126 at December 31, 2005	4,211	6,442
Prepaid expenses and other current assets	650	781
Total current assets	15,051	19,415
Non current assets		
Property and equipment		
Office furniture, equipment, and leasehold improvements	1,518	1,518
Computer equipment	5,353	5,166
Total property and equipment	6,871	6,684
Less accumulated depreciation	(6,403)	(6,319)
Property and equipment, net	468	365
Intangible assets, net of amortization of \$990 at March 31, 2006 and \$778 at December 31, 2005	4,392	4,604
Goodwill	14,485	14,485
Other noncurrent assets	90	123
Total noncurrent assets	19,435	19,577
Total assets	\$34,486	\$38,992
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	1,584	1,636
Accrued compensation and benefits	812	1,003
Deferred revenue - licenses	248	1,572
Deferred revenue - services	4,536	5,114
Accrued restructuring charges	-	261
Line of credit - short term	1,250	3,600
Current portion of capital lease obligations	33	40
Current portion of notes payable	172	-
Other current liabilities	736	795
Total current liabilities	9,371	14,020
Noncurrent deferred revenue	182	182
Other non-current liabilities	76	89
Long term debt	241	-
Capital lease obligations	31	35
Total liabilities	9,901	14,326
Commitments and Contingencies		
Stockholders' equity		
Common stock, \$0.01 par; 50,000 shares authorized, 8,770 shares and 8,744 shares issued and outstanding at March 31, 2006 and December 31, 2005, respectively	87	87
Additional paid in capital	101,877	101,472
Treasury stock, 26 shares at March 31, 2006 and December 31, 2005	(151)	(151)
Deferred compensation	-	(5)
Warrants	6,549	6,549
Accumulated other comprehensive loss	(40)	(12)
Accumulated deficit	(83,737)	(83,274)
Total stockholders' equity	24,585	24,666
Total liabilities and stockholders' equity	\$34,486	\$38,992