

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

	<b>Three months ended March 31,</b>	
	<u><b>2006</b></u>	<u><b>2005</b></u>
Revenues		
Licenses	\$2,757	\$1,377
Services	4,258	2,322
Total revenues	<u>7,015</u>	<u>3,699</u>
Cost of revenues		
Cost of licenses	193	162
Cost of services (1)	2,537	1,628
Total cost of revenues	<u>2,730</u>	<u>1,790</u>
Gross margin	4,285	1,909
Operating expenses (1)		
Sales and marketing	2,338	1,662
Research and development	1,585	1,523
General and administrative	763	980
Intangible assets amortization	70	47
Restructuring charges	-	1,355
Total operating expenses	<u>4,756</u>	<u>5,567</u>
Income loss from operations	(471)	(3,658)
Other income (expense)		
Interest expense	(18)	(1)
Other, (net)	26	151
Other income (expense), net	<u>8</u>	<u>150</u>
Net loss	<u><u>(\$463)</u></u>	<u><u>(\$3,508)</u></u>
Net loss per common share, basic and diluted	(\$0.05)	(\$0.49)
Shares used in computing per share amounts	<u>8,735</u>	<u>7,183</u>

(1) Includes FAS 123(R) stock based compensation as follows:

Cost of services	\$ 42	\$ -
Sales and marketing	77	-
Research and development	110	-
General and administrative	176	-
Total stock based compensation	<u>\$ 405</u>	<u>\$ -</u>