

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

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues				
Licenses	\$2,086	\$2,208	\$8,054	\$6,409
Services	3,710	3,511	12,229	10,351
Total revenues	<u>5,796</u>	<u>5,719</u>	<u>20,283</u>	<u>16,760</u>
Cost of revenues				
Cost of licenses	225	227	639	647
Cost of services	2,047	2,186	6,778	6,034
Total cost of revenues	<u>2,272</u>	<u>2,413</u>	<u>7,417</u>	<u>6,681</u>
Gross margin	3,524	3,306	12,866	10,079
Operating expenses				
Sales and marketing	2,837	2,080	7,775	5,784
Research and development	1,754	1,364	5,236	4,205
General and administrative	826	777	2,566	3,175
Intangible assets amortization	70	70	210	187
Restructuring charges	139	-	139	1,355
Total operating expenses	<u>5,626</u>	<u>4,291</u>	<u>15,926</u>	<u>14,706</u>
(Loss) income from operations	(2,102)	(985)	(3,060)	(4,627)
Other income (expense)				
Interest expense	(29)	(2)	(66)	(5)
Other, net	(6)	45	51	247
Other income (expense), net	<u>(35)</u>	<u>43</u>	<u>(15)</u>	<u>242</u>
Net (loss) income	<u><u>(\$2,137)</u></u>	<u><u>(\$942)</u></u>	<u><u>(\$3,075)</u></u>	<u><u>(\$4,385)</u></u>
Net (loss) income per common share, basic	(\$0.24)	(\$0.11)	(\$0.35)	(\$0.53)
Net (loss) income per common share, diluted	(\$0.24)	(\$0.11)	(\$0.35)	(\$0.53)
Shares used in computing per share amounts, basic	<u>8,831</u>	<u>8,725</u>	<u>8,783</u>	<u>8,212</u>
Shares used in computing per share amounts, diluted	<u>8,831</u>	<u>8,725</u>	<u>8,783</u>	<u>8,212</u>

*See accompanying condensed notes to unaudited interim consolidated financial statements*