

INTERWOVEN, INC.
Impact of Non-GAAP Adjustments on Reported Net Loss

(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30, 2005			Three Months Ended September 30, 2004		
	<u>As reported</u>	<u>Adjustments*</u>	<u>Non-GAAP</u>	<u>As reported</u>	<u>Adjustments*</u>	<u>Non-GAAP</u>
Revenues:						
License	\$ 17,417	\$ —	\$ 17,417	\$ 16,157	\$ —	\$ 16,157
Support and service	<u>26,522</u>	<u>—</u>	<u>26,522</u>	<u>24,104</u>	<u>—</u>	<u>24,104</u>
Total revenues	43,939	—	43,939	40,261	—	40,261
Cost of revenues:						
License	3,951	(3,099)	852	3,387	(2,739)	648
Support and service	<u>10,654</u>	<u>—</u>	<u>10,654</u>	<u>9,705</u>	<u>—</u>	<u>9,705</u>
Total cost of revenues	<u>14,605</u>	<u>(3,099)</u>	<u>11,506</u>	<u>13,092</u>	<u>(2,739)</u>	<u>10,353</u>
Gross profit	29,334	3,099	32,433	27,169	2,739	29,908
Operating expenses:						
Sales and marketing	17,888	—	17,888	17,300	—	17,300
Research and development	7,635	—	7,635	7,746	—	7,746
General and administrative	3,506	—	3,506	3,052	—	3,052
Amortization of stock-based compensation	326	(326)	—	941	(941)	—
Amortization of intangible assets	834	(834)	—	1,217	(1,217)	—
Restructuring and excess facilities charges	<u>35</u>	<u>(35)</u>	<u>—</u>	<u>(1,360)</u>	<u>1,360</u>	<u>—</u>
Total operating expenses	<u>30,224</u>	<u>(1,195)</u>	<u>29,029</u>	<u>28,896</u>	<u>(798)</u>	<u>28,098</u>
Income (loss) from operations	(890)	4,294	3,404	(1,727)	3,537	1,810
Interest income and other, net	<u>984</u>	<u>—</u>	<u>984</u>	<u>468</u>	<u>—</u>	<u>468</u>
Income (loss) before taxes	94	4,294	4,388	(1,259)	3,537	2,278
Provision for income taxes	<u>278</u>	<u>1,214</u>	<u>1,492</u>	<u>243</u>	<u>532</u>	<u>775</u>
Net income (loss)	<u>\$ (184)</u>	<u>\$ 3,080</u>	<u>\$ 2,896</u>	<u>\$ (1,502)</u>	<u>\$ 3,005</u>	<u>\$ 1,503</u>
Net income (loss) per share	<u>\$ (0.00)</u>		<u>\$ 0.07</u>	<u>\$ (0.04)</u>		<u>\$ 0.04</u>
Shares used in computing net income (loss) per share**	<u>41,988</u>		<u>42,509</u>	<u>40,564</u>		<u>41,319</u>

* The non-GAAP adjustments represent the reversal of restructuring and excess facilities charges, the amortization of stock-based compensation and intangible assets and the related tax impact of these adjustments.

** The shares used in computing non-GAAP net income for the nine months ended September 30, 2005 and 2004 include the dilutive impact of common stock options.

INTERWOVEN, INC.
Impact of Non-GAAP Adjustments on Reported Net Loss

(In thousands, except per share data)
(Unaudited)

	Nine Months Ended September 30, 2005			Nine Months Ended September 30, 2004		
	<u>As reported</u>	<u>Adjustments*</u>	<u>Non-GAAP</u>	<u>As reported</u>	<u>Adjustments*</u>	<u>Non-GAAP</u>
Revenues:						
License	\$ 48,500	\$ —	\$ 48,500	\$ 49,335	\$ —	\$ 49,335
Support and service	<u>78,958</u>	<u>—</u>	<u>78,958</u>	<u>67,815</u>	<u>—</u>	<u>67,815</u>
Total revenues	127,458	—	127,458	117,150	—	117,150
Cost of revenues:						
License	10,781	(8,549)	2,232	9,864	(7,917)	1,947
Support and service	<u>30,864</u>	<u>—</u>	<u>30,864</u>	<u>28,643</u>	<u>—</u>	<u>28,643</u>
Total cost of revenues	<u>41,645</u>	<u>(8,549)</u>	<u>33,096</u>	<u>38,507</u>	<u>(7,917)</u>	<u>30,590</u>
Gross profit	85,813	8,549	94,362	78,643	7,917	86,560
Operating expenses:						
Sales and marketing	51,631	—	51,631	52,585	—	52,585
Research and development	23,503	—	23,503	23,033	—	23,033
General and administrative	9,887	—	9,887	9,022	—	9,022
Amortization of stock-based compensation	1,119	(1,119)	—	4,352	(4,352)	—
Amortization of intangible assets	2,472	(2,472)	—	3,631	(3,631)	—
Restructuring and excess facilities charges	<u>(598)</u>	<u>598</u>	<u>—</u>	<u>10,477</u>	<u>(10,477)</u>	<u>—</u>
Total operating expenses	<u>88,014</u>	<u>(2,993)</u>	<u>85,021</u>	<u>103,100</u>	<u>(18,460)</u>	<u>84,640</u>
Income (loss) from operations	(2,201)	11,542	9,341	(24,457)	26,377	1,920
Interest income and other, net	<u>2,605</u>	<u>—</u>	<u>2,605</u>	<u>1,114</u>	<u>—</u>	<u>1,114</u>
Income (loss) before taxes	404	11,542	11,946	(23,343)	26,377	3,034
Provision for income taxes	<u>903</u>	<u>3,159</u>	<u>4,062</u>	<u>729</u>	<u>662</u>	<u>1,391</u>
Net income (loss)	<u>\$ (499)</u>	<u>\$ 8,383</u>	<u>\$ 7,884</u>	<u>\$ (24,072)</u>	<u>\$ 25,715</u>	<u>\$ 1,643</u>
Net income (loss) per share	<u>\$ (0.01)</u>		<u>\$ 0.19</u>	<u>\$ (0.60)</u>		<u>\$ 0.04</u>
Shares used in computing net income (loss) per share**	<u>41,586</u>		<u>42,147</u>	<u>40,374</u>		<u>41,683</u>

* The non-GAAP adjustments represent the reversal of restructuring and excess facilities charges, the amortization of stock-based compensation and intangible assets and the related tax impact of these adjustments.

** The shares used in computing non-GAAP net income for the nine months ended September 30, 2005 and 2004 include the dilutive impact of common stock options.