

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

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

	Three Months Ended June 30, 2008			Three Months Ended June 30, 2007		
	<u>As reported</u>	<u>Adjustments</u>	<u>Non-GAAP</u>	<u>As reported</u>	<u>Adjustments</u>	<u>Non-GAAP</u>
Revenues:						
License	\$ 23,378	\$ —	\$ 23,378	\$ 21,017	\$ —	\$ 21,017
Support and service	<u>39,777</u>	<u>—</u>	<u>39,777</u>	<u>33,597</u>	<u>—</u>	<u>33,597</u>
Total revenues	63,155	—	63,155	54,614	—	54,614
Cost of revenues:						
License (1)	2,165	(928)	1,237	2,086	(1,226)	860
Support and service (1) (2)	<u>15,562</u>	<u>(676)</u>	<u>14,886</u>	<u>13,441</u>	<u>(143)</u>	<u>13,298</u>
Total cost of revenues	<u>17,727</u>	<u>(1,604)</u>	<u>16,123</u>	<u>15,527</u>	<u>(1,369)</u>	<u>14,158</u>
Gross profit	45,428	1,604	47,032	39,087	1,369	40,456
Operating expenses:						
Sales and marketing (2)	22,670	(748)	21,922	20,204	(460)	19,744
Research and development (2)	9,679	(397)	9,282	9,315	(203)	9,112
General and administrative (2) (3)	5,349	(865)	4,484	5,971	(2,309)	3,662
Amortization of intangible assets (1)	668	(668)	—	828	(828)	—
Restructuring and excess facilities charges (recoveries) (4)	<u>44</u>	<u>(44)</u>	<u>—</u>	<u>61</u>	<u>(61)</u>	<u>—</u>
Total operating expenses	<u>38,410</u>	<u>(2,722)</u>	<u>35,688</u>	<u>36,379</u>	<u>(3,861)</u>	<u>32,518</u>
Income from operations	7,018	4,326	11,344	2,708	5,230	7,938
Interest income and other, net	<u>1,249</u>	<u>—</u>	<u>1,249</u>	<u>2,282</u>	<u>—</u>	<u>2,282</u>
Income before provision for income taxes	8,267	4,326	12,593	4,990	5,230	10,220
Provision for income taxes (5)	<u>787</u>	<u>3,495</u>	<u>4,282</u>	<u>785</u>	<u>2,690</u>	<u>3,475</u>
Net income	<u>\$ 7,480</u>	<u>\$ 831</u>	<u>\$ 8,311</u>	<u>\$ 4,205</u>	<u>\$ 2,540</u>	<u>\$ 6,745</u>
Diluted net income per common share	<u>\$ 0.16</u>		<u>\$ 0.18</u>	<u>\$ 0.09</u>		<u>\$ 0.14</u>
Shares used in computing diluted net income per common share	<u>46,476</u>		<u>46,476</u>	<u>46,630</u>		<u>46,630</u>

- (1) For the three months ended June 30, 2008, adjustments reflect the reversal of amortization of purchased technology of \$928,000 in cost of revenues – license and \$379,000 in cost of revenues - support and service. For the three months ended June 30, 2007 adjustments reflect the reversal of amortization of purchased technology of \$1.2 million in cost of revenues – license and none in cost of revenues - support and service. For the three months ended June 30, 2008 and 2007, adjustments reflect the reversal of \$668,000 and \$828,000, respectively, associated with the amortization of intangible assets.
- (2) For the three months ended June 30, 2008 and 2007, adjustments reflect the reversal of stock-based compensation expense of \$297,000 and \$143,000, respectively, in cost of revenues – support and service, \$748,000 and \$460,000, respectively, in sales and marketing, \$397,000 and \$203,000, respectively, in research and development and \$865,000 and \$403,000, respectively, in general and administrative.

- (3) For the three months ended June 30, 2007, adjustment reflects the reversal of \$1.9 million in expenses incurred in connection with the Company's voluntary review of historical stock option grant procedures and related accounting.
- (4) For the three months ended June 30, 2008 and 2007, adjustments reflect the reversal of \$44,000 and \$61,000, respectively, in adjustments associated with the Company's restructuring and excess facilities accrual.
- (5) For the three months ended June 30, 2008 and 2007, adjustments reflect an additional tax provision of \$3.5 million and \$2.7 million, respectively, associated with the non-GAAP adjustments.

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

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

	Six Months Ended June 30, 2008			Six Months Ended June 30, 2007		
	<u>As reported</u>	<u>Adjustments</u>	<u>Non-GAAP</u>	<u>As reported</u>	<u>Adjustments</u>	<u>Non-GAAP</u>
Revenues:						
License	\$ 45,350	\$ —	\$ 45,350	\$ 40,631	\$ —	\$ 40,631
Support and service	<u>79,269</u>	<u>—</u>	<u>79,269</u>	<u>66,699</u>	<u>—</u>	<u>66,699</u>
Total revenues	124,619	—	124,619	107,330	—	107,330
Cost of revenues:						
License (1)	3,944	(1,856)	2,088	4,046	(2,452)	1,594
Support and service (1) (2)	<u>31,512</u>	<u>(1,353)</u>	<u>30,159</u>	<u>26,633</u>	<u>(291)</u>	<u>26,342</u>
Total cost of revenues	<u>35,456</u>	<u>(3,209)</u>	<u>32,247</u>	<u>30,679</u>	<u>(2,743)</u>	<u>27,936</u>
Gross profit	89,163	3,209	92,372	76,651	2,743	79,394
Operating expenses:						
Sales and marketing (2)	44,707	(1,633)	43,074	40,008	(875)	39,133
Research and development (2)	19,632	(794)	18,838	18,376	(438)	17,938
General and administrative (2) (3)	11,081	(1,893)	9,188	10,929	(3,671)	7,258
Amortization of intangible assets (1)	1,336	(1,336)	—	1,656	(1,656)	—
Restructuring and excess facilities charges (recoveries) (4)	<u>(4)</u>	<u>4</u>	<u>—</u>	<u>64</u>	<u>(64)</u>	<u>—</u>
Total operating expenses	<u>76,752</u>	<u>(5,652)</u>	<u>71,100</u>	<u>71,033</u>	<u>(6,704)</u>	<u>64,329</u>
Income from operations	12,411	8,861	21,272	5,618	9,447	15,065
Interest income and other, net (5)	<u>2,427</u>	<u>—</u>	<u>2,427</u>	<u>4,774</u>	<u>(472)</u>	<u>4,302</u>
Income before provision for income taxes	14,838	8,861	23,699	10,392	8,975	19,367
Provision (benefit) for income taxes (6)	<u>1,237</u>	<u>6,821</u>	<u>8,058</u>	<u>1,459</u>	<u>5,126</u>	<u>6,585</u>
Net income	<u>\$ 13,601</u>	<u>\$ 2,040</u>	<u>\$ 15,641</u>	<u>\$ 8,933</u>	<u>\$ 3,849</u>	<u>\$ 12,782</u>
Diluted net income per common share	<u>\$ 0.29</u>		<u>\$ 0.34</u>	<u>\$ 0.20</u>		<u>\$ 0.27</u>
Shares used in computing diluted net income per common share	<u>46,534</u>		<u>46,534</u>	<u>46,582</u>		<u>46,582</u>

(1) For the six months ended June 30, 2008, adjustments reflect the reversal of amortization of purchased technology of \$1.9 million in cost of revenues – license and \$758,000 in cost of revenues - support and service. For the six months ended June 30, 2007 adjustments reflect the reversal of amortization of purchased technology of \$2.5 million in cost of revenues – license and none in cost of revenues - support and service. For the six months ended June 30, 2008 and 2007, adjustments reflect the reversal of \$1.3 million and \$1.7 million, respectively, associated with the amortization of intangible assets.

(2) For the six months ended June 30, 2008 and 2007, adjustments reflect the reversal of stock-based compensation expense of \$595,000 and \$291,000, respectively, in cost of revenues – support and service, \$1.6 million and

\$875,000, respectively, in sales and marketing, \$794,000 and \$438,000, respectively, in research and development and \$1.9 million and \$526,000, respectively, in general and administrative.

- (3) For the six months ended June 30, 2007, adjustments reflects the reversal of \$2.5 million in expenses incurred in connection with the Company's completed voluntary review of historical stock option grant procedures and related accounting [and the reversal of \$605,000 in expenses incurred associated with the Company's new corporate headquarters while in the process of completing tenant improvements.
- (4) For the six months ended June 30, 2008 and 2007, adjustments reflect an increase of \$4,000 and a reversal of \$64,000, respectively, in adjustments associated with the Company's restructuring and excess facilities accrual.
- (5) For the six months ended June 30, 2007, adjustment reflects the reversal of recoveries from amounts of \$472,000 held in escrow related to the settlement of certain claims associated with the acquisition of Scrittura, Inc.
- (6) For the six months ended June 30, 2008 and 2007, adjustments reflect an additional hypothetical tax provision of \$6.8 million and \$5.1 million, respectively, associated with the non-GAAP adjustments.