

DSET Corporation
Consolidated Statements of Income
(In \$000 except per share data)
(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2000	1999*	2000	1999*
Revenues:				
License revenues	\$ 9,789	\$ 6,559	\$ 30,090	\$ 15,958
Service revenues	4,078	6,350	11,609	13,545
Total revenues	<u>13,867</u>	<u>12,909</u>	<u>41,699</u>	<u>29,503</u>
Cost of revenues:				
License revenues	1,553	622	3,251	1,184
Service revenues	3,333	2,079	8,121	4,983
Total cost of revenues	<u>4,886</u>	<u>2,701</u>	<u>11,372</u>	<u>6,167</u>
Gross profit	<u>8,981</u>	<u>10,208</u>	<u>30,327</u>	<u>23,336</u>
Operating expenses:				
Sales and marketing	3,245	3,351	9,502	8,478
Research and product development	4,884	2,956	12,491	7,766
General and administrative	1,667	1,174	4,303	3,121
Bad debt expense and other charges	4,926	28	5,793	317
Amortization of goodwill and other intangibles	106	17	313	104
Total operating expenses	<u>14,828</u>	<u>7,526</u>	<u>32,402</u>	<u>19,786</u>
Operating income (loss)	(5,847)	2,682	(2,075)	3,550
Interest expense and other income (expense) ..	(43)	(21)	(139)	(96)
Interest income	496	567	1,477	1,675
Income before taxes	(5,394)	3,228	(737)	5,129
Provision (benefit) for income taxes	(2,144)	1,093	(578)	1,769
Net income (loss)	<u>\$ (3,250)</u>	<u>\$ 2,135</u>	<u>\$ (159)</u>	<u>\$ 3,360</u>
Net income (loss) per common share	<u>\$ (0.28)</u>	<u>\$ 0.20</u>	<u>\$ (0.01)</u>	<u>\$ 0.33</u>
Weighted average number of common shares outstanding	<u>11,464</u>	<u>10,512</u>	<u>11,305</u>	<u>10,315</u>
Net income (loss) per common share assuming dilution	<u>\$ (0.28)</u>	<u>\$ 0.19</u>	<u>\$ (0.01)</u>	<u>\$ 0.30</u>
Weighted average number of common shares and common equivalent shares outstanding	<u>11,464</u>	<u>11,508</u>	<u>11,305</u>	<u>11,348</u>

* Certain amounts have been reclassified for comparative purposes.

