

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

| | Quarter Ended December 31, | | Twelve Months Ended December 31, | |
|---|-------------------------------|--------------------|-------------------------------------|------------------|
| | 2000 Unaudited | 1999* Unaudited | 2000 Unaudited | 1999* Audited |
| Revenues: | | | | |
| License revenues | \$ 2,761 | \$ 8,126 | \$ 32,851 | \$ 24,084 |
| Service revenues | <u>2,583</u> | <u>7,000</u> | <u>14,191</u> | <u>20,545</u> |
| Total revenues | <u>5,344</u> | <u>15,126</u> | <u>47,042</u> | <u>44,629</u> |
| Cost of revenues: | | | | |
| License revenues | 740 | 640 | 3,991 | 1,823 |
| Service revenues | <u>3,010</u> | <u>2,080</u> | <u>11,131</u> | <u>7,063</u> |
| Total cost of revenues | <u>3,750</u> | <u>2,720</u> | <u>15,122</u> | <u>8,886</u> |
| Gross profit | <u>1,594</u> | <u>12,406</u> | <u>31,920</u> | <u>35,743</u> |
| Operating expenses: | | | | |
| Sales and marketing | 2,628 | 3,494 | 12,130 | 11,972 |
| Research and product development | 5,976 | 3,280 | 18,467 | 11,046 |
| General and administrative | 2,622 | 1,000 | 6,925 | 4,120 |
| Bad debt expense and other charges | 7,586 | 348 | 13,378 | 665 |
| Amortization of goodwill and other intangibles | 106 | 96 | 419 | 200 |
| Restructuring and other charges | <u>2,248</u> | <u>-</u> | <u>2,248</u> | <u>-</u> |
| Total operating expenses | <u>21,166</u> | <u>8,218</u> | <u>53,567</u> | <u>28,003</u> |
| Operating income (loss) | (19,572) | 4,188 | (21,647) | 7,740 |
| Interest expense and other income (expense) .. | (44) | (82) | (183) | (179) |
| Interest income | <u>637</u> | <u>531</u> | <u>2,115</u> | <u>2,206</u> |
| Income (loss) before taxes | (18,979) | 4,637 | (19,715) | 9,767 |
| Provision (benefit) for income taxes | <u>(325)</u> | <u>1,481</u> | <u>(903)</u> | <u>3,250</u> |
| Net income (loss) | <u>\$ (18,654)</u> | <u>\$ 3,156</u> | <u>\$ (18,812)</u> | <u>\$ 6,517</u> |
| Net income (loss) per common share | <u>\$ (1.61)</u> | <u>\$ 0.29</u> | <u>\$ (1.65)</u> | <u>\$ 0.63</u> |
| Weighted average number of common shares outstanding | <u>11,622</u> | <u>10,747</u> | <u>11,388</u> | <u>10,425</u> |
| Net income (loss) per common share assuming dilution | <u>\$ (1.61)</u> | <u>\$ 0.27</u> | <u>\$ (1.65)</u> | <u>\$ 0.59</u> |
| Weighted average number of common shares and common equivalent shares outstanding | <u>11,622</u> | <u>11,804</u> | <u>11,388</u> | <u>11,067</u> |

* Certain amounts have been reclassified for comparative purposes.

