

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

For the Nine Months Ended September 30, 2003 and 2004

(In thousands of New Taiwan dollars)

	YTSept. /2003	%	YTSept. /2004	%
Sales	\$ 18,007,647	100	\$ 23,756,272	100
Cost of goods sold	12,210,336	68	15,937,825	67
	<u>5,797,311</u>	<u>32</u>	<u>7,818,447</u>	<u>33</u>
Net changes in unrealized profit in inter-company sales	9,598	0	-3,847	-0
Gross Profit	<u>5,787,713</u>	<u>32</u>	<u>7,822,294</u>	<u>33</u>
Operating expenses		0		
Selling	3,565,275	20	4,705,252	20
Administrative	485,349	3	462,439	2
Research and development	680,758	4	777,496	3
	<u>4,731,382</u>	<u>26</u>	<u>5,945,187</u>	<u>25</u>
Operating income	<u>1,056,331</u>	<u>6</u>	<u>1,877,107</u>	<u>8</u>
Nonoperating income:				
Interest income	23,795	0	37,318	0
Exchange gain, net	6,997	0	42,216	0
Gain on disposal of investments	272,154	2	862,945	4
Investment income from long-term investments under equity method, net	168,077	1	71,078	0
Other income, net	109,545	1	72,262	0
	<u>580,568</u>	<u>3</u>	<u>1,085,819</u>	<u>5</u>
Nonoperating expenses:				
Interest expenses	114,273	1	169,210	1
Investment loss on long-term investments under cost method,	136,470	1	59,775	0
Loss on inventory obsolescence and devaluation	222,648	1	220,457	1
	<u>473,391</u>	<u>3</u>	<u>449,442</u>	<u>2</u>
Income before income taxes and minority interest	1,163,507	6	2,513,484	11
Income tax expenses	<u>137,758</u>	<u>1</u>	<u>295,716</u>	<u>1</u>
Income before minority interest	1,025,749	6	2,217,768	9
Net income attributed to minority interest	<u>-19,043</u>	<u>-0</u>	<u>-183,601</u>	<u>-1</u>
Net income	<u>\$ 1,006,706</u>	<u>6</u>	<u>\$ 2,034,167</u>	<u>9</u>

D-LINK CORPORATION AND SUBSIDIARIES

Pro Forma Consolidated Balance Sheets

As of September 30, 2003 and 2004

(In thousands of New Taiwan dollars)

Assets	2003/9/30	%	2004/9/30	%	Liabilities and Stockholders' Equity	2003/9/30	%	2004/9/30	%
Current assets					Current liabilities:				
Cash and cash equivalents	\$ 2,511,937	10	\$ 2,517,263	10	Short-term borrowings	\$ 3,861,597	16	\$ 3,459,270	13
Short-term investments	4,272,973	18	2,240,558	9	Notes and accounts payable	4,080,713	17	4,060,084	16
Notes and accounts receivable, net	4,716,947	20	5,666,400	22	Payables to related parties	509,296	2	507,575	2
Receivables from related parties	104,191	0	93,333	0	Current portion of long-term debts	2,220,269	9	1,608,813	6
Other financial assets-current	61,731	0	34,337	0	Other current liabilities	2,369,378	10	4,001,919	15
Inventories	4,023,221	17	6,071,910	23	Total current liabilities	<u>13,041,253</u>	<u>54</u>	<u>13,637,661</u>	<u>52</u>
Other current assets	1,551,169	6	1,738,198	7	Long-term liabilities bearing interest:				
Restricted assets	1,051,269	4	1,166,744	4	Bonds payable	400,000	2		0
Total current assets	<u>18,293,438</u>	<u>75</u>	<u>19,528,743</u>	<u>75</u>	Long-term debts and lease obligations payable, excluding current installments	579,679	2		0
Long-term investments					Total long-term liabilities	<u>979,679</u>	<u>4</u>	<u>0</u>	<u>0</u>
Long-term investments under equity method	1,435,077	6	1,739,374	7	Other liabilities				
Long-term investments under cost method	844,096	4	691,835	3	Accrued pension	143,357	1	47,236	0
Total long-term investments	<u>2,279,173</u>	<u>10</u>	<u>2,431,209</u>	<u>10</u>	Deferred credit and others	57,427	0	1,200,480	5
Other financial assets-noncurrent	<u>13,925</u>	<u>0</u>	<u>7,158</u>	<u>0</u>	Total other liabilities	<u>200,783</u>	<u>1</u>	<u>1,247,716</u>	<u>5</u>
Property, plant and equipment					Total liabilities	<u>14,221,715</u>	<u>59</u>	<u>14,885,377</u>	<u>57</u>
Land	95,949	0	95,949	0	Stockholders' equity				
Buildings and improvements	1,877,651	8	2,196,836	8	Common stock	4,999,172	21	5,508,242	21
Machinery and equipment	806,908	3	1,351,282	5	Capital surplus	2,649,876	11	2,962,888	11
Other equipment	377,686	2	511,387	2	Retained earnings:				
	<u>3,158,194</u>	<u>13</u>	<u>4,155,454</u>	<u>15</u>	Legal reserve	610,282	3	747,696	3
Less:accumulated depreciation	617,385	3	1,553,285	6	Special reserve				
Construction in progress and prepayment for purchases of machinery and equipment	21,509	0	76,860	0	Unappropriated earnings	1,363,261	6	2,361,228	9
Net property, plant and equipment	<u>2,562,319</u>	<u>11</u>	<u>2,679,029</u>	<u>9</u>		<u>1,973,543</u>	<u>8</u>	<u>3,108,924</u>	<u>12</u>
Other assets:					Foreign currency translation adjustment	129,665	1	171,837	1
Assets held for lease	130,082	1	880,000	3	Treasury stock		0	-560,761	-2
Others	695,034	3	550,368	2	Total stockholders' equity	<u>9,752,256</u>	<u>41</u>	<u>11,191,130</u>	<u>43</u>
Total other assets	<u>825,116</u>	<u>4</u>	<u>1,430,368</u>	<u>5</u>					
Total assets	<u>\$ 23,973,971</u>	<u>100</u>	<u>\$ 26,076,507</u>	<u>100</u>	Total liabilities and stockholders' equity	<u>\$ 23,973,971</u>	<u>100</u>	<u>\$ 26,076,507</u>	<u>100</u>