

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

For the Three Months Ended March 31, 2002 and 2003

(Unaudited, for reference only)

(In thousands of New Taiwan Dollars)

	1Q 2003		1Q 2002	
	Amounts	%	Amounts	%
Net Sales	\$ 5,958,065	100	\$ 5,221,401	100
Cost of goods sold	<u>(4,103,259)</u>	<u>69</u>	<u>(3,826,245)</u>	<u>73</u>
Unrealized gross profit	1,854,806	31	1,395,156	27
Net change in unrealized profit on intercompany sales	<u>(72,449)</u>	<u>(1)</u>	<u>16,498</u>	<u>-</u>
Realized gross profit	<u>1,782,357</u>	<u>30</u>	<u>1,411,654</u>	<u>27</u>
Operating Expenses:				
Selling	1,042,230	17	912,947	17
Administrative	145,890	2	130,775	3
Research & Development	<u>217,809</u>	<u>4</u>	<u>207,802</u>	<u>4</u>
	<u>1,405,929</u>	<u>23</u>	<u>1,251,524</u>	<u>24</u>
Operating Income	<u>376,428</u>	<u>7</u>	<u>160,130</u>	<u>3</u>
Non-operating income :				
Interest income	7,572	-	16,410	-
Long-term investment income, net	18,607	-	244,856	5
Gain on disposal of investments, net	32,203	1	-	-
Gain on disposal of fixed assets, net	362	-	-	-
Exchange gain, net	83,622	1	-	-
Other income, net	<u>30,240</u>	<u>1</u>	<u>41,148</u>	<u>1</u>
	<u>172,606</u>	<u>3</u>	<u>302,455</u>	<u>6</u>
Non-operating expenses :				
Interest expense	32,264	-	25,476	1
Loss on disposal of fixed assets, net	-	-	40	-
Exchange loss, net	-	-	18,178	-
Loss on inventory obsolescence and devaluation	50,121	1	-	-
Other loss, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>82,385</u>	<u>1</u>	<u>43,694</u>	<u>1</u>
Income before income tax and minority interest	466,649	9	418,891	8
Income tax expense	(66,564)	1	(30,511)	1
Net income (loss) attributed to minority interest	<u>(838)</u>	<u>-</u>	<u>1,526</u>	<u>-</u>
Net income	<u><u>\$ 399,247</u></u>	<u><u>8</u></u>	<u><u>\$ 389,906</u></u>	<u><u>7</u></u>

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

As of March 31, 2002 and 2003

(Unaudited, for reference only)

(In thousands of New Taiwan dollars)

	<u>03/31/2003</u>		<u>03/31/2002</u>			<u>03/31/2003</u>		<u>03/31/2002</u>	
	<u>Amounts</u>	<u>%</u>	<u>Amounts</u>	<u>%</u>		<u>Amounts</u>	<u>%</u>	<u>Amounts</u>	<u>%</u>
Assets									
Current Assets :					Current liabilities:				
Cash and cash equivalents	\$ 2,256,240	12	\$ 2,293,110	13	Short-term borrowings	\$ 1,866,599	9	\$ 973,283	5
Short-term investments	3,149,763	16	2,526,970	14	Notes and accounts payable	1,823,193	9	1,685,506	9
Notes and accounts receivables	3,649,634	19	3,015,598	16	Payables to related parties	262,788	1	712,756	4
Receivables from related parties	1,350,597	7	1,139,339	6	Accrued expenses and other current liabilities	2,137,953	12	1,308,965	7
Inventories	3,163,304	16	2,506,431	14	Total current liabilities	<u>6,090,533</u>	<u>31</u>	<u>4,680,510</u>	<u>25</u>
Prepaid expenses and other current assets	151,833	1	659,885	3					
Total current assets	<u>13,721,371</u>	<u>71</u>	<u>12,141,333</u>	<u>66</u>	Long-term liabilities				
					Bonds payable	2,414,883	12	2,365,504	13
Long-term equity investments	<u>1,776,287</u>	<u>9</u>	<u>2,982,886</u>	<u>16</u>	Long-term borrowings and lease payable	699,120	4	600,000	3
						<u>3,114,003</u>	<u>16</u>	<u>2,965,504</u>	<u>16</u>
Property, plant and equipment:					Other non-current liabilities :				
Land	95,949	-	95,949	1	Accrued pension liabilities	143,489	1	97,111	1
Buildings and improvements	2,012,739	10	2,035,274	11	Deferred payable and other liabilities	249,924	1	477,782	3
Machinery and equipment	1,261,449	6	1,041,895	6	Total other non-current liabilities	<u>393,413</u>	<u>2</u>	<u>574,893</u>	<u>4</u>
Other equipment	425,459	3	381,343	2	Total Liabilities	<u>9,597,949</u>	<u>49</u>	<u>8,220,907</u>	<u>45</u>
Subtotal	3,795,596	19	3,554,461	20					
Less: accumulated depreciation	(1,160,638)	(6)	(921,303)	(5)	Stockholders' equity :				
Construction in progress and prepayment for purchases of machinery and equipment	37,961	-	36,475	-	Capital:				
					Common stock	4,903,107	25	4,569,869	25
Net property, plant and equipment	<u>2,672,919</u>	<u>13</u>	<u>2,669,633</u>	<u>15</u>	Certificate for conversion of convertible bonds	-	=	26,214	-
						<u>4,903,107</u>	<u>25</u>	<u>4,596,083</u>	<u>25</u>
Other Assets	1,332,911	7	590,478	3	Capital surplus :				
					Paid-in capital	2,634,979	14	3,235,054	18
					Others	19,615	-	32,134	-
						<u>2,654,595</u>	<u>14</u>	<u>3,267,188</u>	<u>18</u>
					Retained earnings:				
					Legal reserve	523,254	3	427,753	2
					Special reserve	275,530	1	275,530	1
					Unappropriated earnings	1,423,653	7	1,584,256	9
						<u>2,222,437</u>	<u>11</u>	<u>2,287,539</u>	<u>12</u>
					Cumulative translation adjustment	125,401	1	12,613	-
					Total stockholders' equity	<u>9,905,539</u>	<u>51</u>	<u>10,163,423</u>	<u>55</u>
Total Assets	<u>\$ 19,503,488</u>	<u>100</u>	<u>\$ 18,384,330</u>	<u>100</u>	Total Liabilities and Stockholders' Equity	<u>\$ 19,503,488</u>	<u>100</u>	<u>\$ 18,384,330</u>	<u>100</u>