

D-LINK CORPORATION AND SUBSIDIARIES

Pro Forma Consolidated Balance Sheets

As of June 30, 2003 and 2004
(In thousands of New Taiwan dollars)

Assets	2003/6/30	%	2004/6/30	%	Liabilities and Stockholders' Equity	2003/6/30	%	2004/6/30	%
Current assets					Current liabilities:				
Cash and cash equivalents	2,735,615	12	\$ 1,769,926	6	Short-term borrowings	3,469,402	15	4,806,575	17
Short-term investments	3,870,118	17	5,753,144	21	Notes and accounts payable	3,251,154	15	3,913,828	14
Notes and accounts receivable, net	3,977,992	18	5,423,972	20	Payables to related parties	335,523	1	609,521	2
Receivables from related parties	227,194	1	88,869	0	Current portion of long-term debts	1,048,694	5	2,047,586	7
Other financial assets-current	47,655	0	49,779	0	Other current liabilities	2,615,357	12	3,645,421	13
Inventories	4,065,638	18	6,046,739	22	Total current liabilities	<u>10,720,130</u>	<u>48</u>	<u>15,022,930</u>	<u>54</u>
Other current assets	1,113,103	5	924,603	3	Long-term liabilities bearing interest:				
Restricted assets	1,005,990	4	1,596,100	6	Bonds payable	400,000	2		0
Total current assets	<u>17,043,306</u>	<u>75</u>	<u>21,653,132</u>	<u>78</u>	Long-term debts and lease obligations payable, excluding current installments	1,578,108	7		0
Long-term investments					Total long-term liabilities	<u>1,978,108</u>	<u>9</u>	<u>0</u>	<u>0</u>
Long-term investments under equity method	1,678,558	7	1,740,936	6	Other liabilities				
Long-term investments under cost method	459,291	2	723,401	3	Accrued pension	128,829	1	39,458	0
Total long-term investments	<u>2,137,849</u>	<u>9</u>	<u>2,464,338</u>	<u>9</u>	Deferred credit and others	115,837	1	1,528,155	6
Other financial assets-noncurrent	<u>13,808</u>	<u>0</u>	<u>6,228</u>	<u>0</u>	Total other liabilities	<u>244,665</u>	<u>1</u>	<u>1,567,613</u>	<u>6</u>
Property, plant and equipment					Total liabilities	<u>12,942,903</u>	<u>58</u>	<u>16,590,543</u>	<u>60</u>
Land	95,949	0	95,949	0	Stockholders' equity				
Buildings and improvements	2,006,436	9	2,184,790	8	Common stock	4,999,107	22	5,606,108	20
Machinery and equipment	1,216,279	5	1,332,435	5	Capital surplus	2,651,410	12	3,068,063	11
Other equipment	432,632	2	481,512	2	Retained earnings:				
	3,751,296	16	4,094,686	15	Legal reserve	610,282	3	747,696	3
Less: accumulated depreciation	1,173,195	5	1,455,240	5	Special reserve				
Construction in progress and prepayment for purchases of machinery and equipment	8,726	0	245,513	1	Unappropriated earnings	1,073,025	5	2,269,292	8
Net property, plant and equipment	<u>2,586,827</u>	<u>12</u>	<u>2,884,958</u>	<u>11</u>		<u>1,683,307</u>	<u>8</u>	<u>3,016,988</u>	<u>11</u>
Other assets:					Foreign currency translation adjustment	143,096	1	145,659	1
Assets held for lease	273,981	1	2,100	0	Treasury stock	0	0	-861,447	-3
Others	364,053	2	555,158	2	Total stockholders' equity	<u>9,476,920</u>	<u>42</u>	<u>10,975,371</u>	<u>40</u>
Total other assets	<u>638,034</u>	<u>3</u>	<u>557,258</u>	<u>2</u>	Total liabilities and stockholders' equity	<u>\$ 22,419,823</u>	<u>100</u>	<u>27,565,914</u>	<u>100</u>
Total assets	<u>\$ 22,419,823</u>	<u>81</u>	<u>27,565,914</u>	<u>100</u>					

D-LINK CORPORATION AND SUBSIDIARIES

Pro Forma Consolidated Statements of Income

For the Six Months Ended June 30, 2003 and 2004

(In thousands of New Taiwan dollars)

	1H/03	%	1H/04	%
Sales	11,273,485	100	15,470,647	100
Cost of goods sold	<u>7,641,815</u>	<u>68</u>	<u>10,297,277</u>	<u>67</u>
	3,631,670	32	5,173,370	33
Net changes in unrealized profit in inter-company sales	<u>16,581</u>	<u>0</u>	<u>-3,847</u>	<u>-0</u>
Gross Profit	<u>3,615,089</u>	<u>32</u>	<u>5,177,217</u>	<u>33</u>
Operating expenses		0		
Selling	2,208,751	20	2,981,513	19
Administrative	337,080	3	325,521	2
Research and development	<u>417,918</u>	<u>4</u>	<u>505,380</u>	<u>3</u>
	<u>2,963,749</u>	<u>26</u>	<u>3,812,413</u>	<u>25</u>
Operating income	<u>651,340</u>	<u>6</u>	<u>1,364,804</u>	<u>9</u>
Nonoperating income:				
Interest income	13,702	0	22,602	0
Exchange gain, net	181,534	2		
Gain on disposal of investments	79,451	1	840,998	5
Investment income from long-term investments under equity method, net	121,997	1	62,930	0
Other income, net	<u>28,603</u>	<u>0</u>	<u>17,461</u>	<u>0</u>
	<u>425,287</u>	<u>4</u>	<u>943,992</u>	<u>6</u>
Nonoperating expenses:				
Interest expenses	69,807	1	103,582	1
Exchange loss, net		0	63,004	0
Investment loss on long-term investments under cost method,	118,205	1	57,223	0
Loss on inventory obsolescence and devaluation	<u>114,275</u>	<u>1</u>	<u>181,659</u>	<u>1</u>
	<u>302,286</u>	<u>3</u>	<u>405,467</u>	<u>3</u>
Income before income taxes and minority interest	774,341	7	1,903,328	12
Income tax expenses	<u>58,584</u>	<u>1</u>	<u>173,426</u>	<u>1</u>
Income before minority interest	715,756	6	1,729,902	11
Net income attributed to minority interest	<u>-6,917</u>	<u>-0</u>	<u>-105,293</u>	<u>-1</u>
Net income	<u>708,839</u>	<u>6</u>	<u>1,624,609</u>	<u>11</u>
Net income per common share	\$1.42		\$3.00	