

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2005 and 2006
(In thousands of New Taiwan dollars)

Assets	2005/6/30	%	2006/6/30	%	Liabilities and Stockholders' Equity	2005/6/30	%	2006/6/30	%
Current assets					Current liabilities:				
Cash and cash equivalents	3,369,727	14	4,399,959	15	Short-term borrowings	2,348,437	10	1,426,794	5
Short-term investments	2,194,920	9	1,635,107	6	Notes and accounts payable	3,454,773	14	4,471,540	16
Notes and accounts receivable, net	5,700,994	23	7,442,912	26	Payables to related parties	1,637,879	7	1,558,602	5
Receivables from related parties	184,855	1	235,608	1	Current portion of long-term debts	5,630	0	5,326	0
Other financial assets-current	177,555	1	25,456	0	Other current liabilities	3,943,577	16	4,369,904	15
Inventories	5,989,003	25	7,357,043	26	Total current liabilities	<u>11,390,297</u>	<u>47</u>	<u>11,832,166</u>	<u>41</u>
Other current assets	618,555	3	951,124	3	Long-term liabilities bearing interest:				
Restricted assets	0	0	0	0	Bonds payable	0	0	0	0
Total current assets	<u>18,235,609</u>	<u>76</u>	<u>22,047,210</u>	<u>77</u>	Long-term debts and lease obligations payable, excluding current installments	14,132	0	1,179,189	4
					Total long-term liabilities	<u>14,132</u>	<u>0</u>	<u>1,179,189</u>	<u>4</u>
Long-term investments					Other liabilities				
Long-term investments under equity method	1,413,121	6	1,662,515	6	Accrued pension	0	0	77,255	0
Long-term investments under cost method	735,604	3	757,953	3	Deferred credit and others	166,509	1	596,404	2
Total long-term investments	<u>2,148,725</u>	<u>9</u>	<u>2,420,468</u>	<u>8</u>	Total other liabilities	<u>166,509</u>	<u>1</u>	<u>673,659</u>	<u>2</u>
Other financial assets--noncurrent	21,934	0	12,605	0	Total liabilities	<u>11,570,938</u>	<u>48</u>	<u>13,685,013</u>	<u>48</u>
Property, plant and equipment					Stockholders' equity	0	0	0	0
Land	38,472	0	531,453	2	Common stock	6,091,619	25	6,753,780	24
Buildings and improvements	1,601,504	7	2,081,140	7	Capital surplus	2,432,837	10	1,951,892	7
Machinery and equipment	1,110,278	5	1,330,545	5	Retained earnings:				
Other equipment	504,981	2	610,419	2	Legal reserve	1,007,789	4	1,171,372	4
	<u>3,255,235</u>	<u>14</u>	<u>4,553,557</u>	<u>16</u>	Special reserve	0	0	0	0
Less: accumulated depreciation	1,016,094	4	1,400,462	5	Unappropriated earnings	1,912,974	8	2,740,055	10
Construction in progress and prepayment for purchases of machinery and equipment	27,145	0	137,840	0		<u>2,920,762</u>	<u>12</u>	<u>3,911,428</u>	<u>14</u>
Net property, plant and equipment	<u>2,266,286</u>	<u>10</u>	<u>3,290,935</u>	<u>12</u>	Foreign currency translation adjustment	30,294	0	179,896	1
Other assets:					Long-term investments unrealized decline loss	(28,860)	-0	0	0
Assets held for lease	1,177,438	5	243,858	1	financial asset unrealized decline loss	0	0	134,995	0
Others	450,035	2	572,001	2	Treasury stock	(448,716)	-2	(448,716)	-2
Total other assets	<u>1,627,473</u>	<u>7</u>	<u>815,859</u>	<u>3</u>	Equity belonged to parent company's shareholders	10,997,936	45	12,483,275	44
					Minority Interest	1,731,153	7	2,418,788	8
Total assets	<u>24,300,027</u>	<u>100</u>	<u>28,587,077</u>	<u>100</u>		<u>12,729,089</u>	<u>52</u>	<u>14,902,064</u>	<u>52</u>
						0	0	0	0
					Total liabilities and stockholders' equity	<u>24,300,027</u>	<u>100</u>	<u>28,587,077</u>	<u>100</u>

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

Years ended June 30, 2005 and 2006

(In thousands of New Taiwan dollars)

	2005H1	%	2006H1	%
Sales	16,674,879	100	19,174,522	100
Cost of goods sold	11,433,299	69	13,133,191	68
	<u>5,241,580</u>	<u>31</u>	<u>6,041,331</u>	<u>32</u>
Net changes in unrealized profit in inter-company sales	0	0	0	0
Gross Profit	<u>5,241,580</u>	<u>31</u>	<u>6,041,331</u>	<u>32</u>
Operating expenses				
Selling	3,175,761	19	3,599,299	19
Administrative	326,158	2	545,024	3
Research and development	634,516	4	615,138	3
	<u>4,136,435</u>	<u>25</u>	<u>4,759,461</u>	<u>25</u>
Operating income	<u>1,105,144</u>	<u>7</u>	<u>1,281,870</u>	<u>7</u>
Nonoperating income:				
Interest income	26,197	0	54,919	0
Exchange gain, net	68,486	0	59,214	0
Gain on disposal of investments	187,334	1	80,445	0
Investment income from long-term investments under equity method, net	46,287	0	100,356	1
Other income, net	(16,103)	-0	101,302	1
	<u>312,201</u>	<u>2</u>	<u>396,235</u>	<u>2</u>
Nonoperating expenses:				
Interest expenses	64,206	0	47,212	0
Investment loss on long-term investments under cost method,	5,460	0		0
Loss on inventory obsolescence and devaluation	202,502	1	181,645	1
	<u>393,973</u>	<u>2</u>	<u>228,857</u>	<u>1</u>
Income tax expenses	<u>277,437</u>	<u>2</u>	<u>279,196</u>	<u>1</u>
Income before cumulative effect of changes in accounting pr	<u>745,935</u>	<u>4</u>	<u>1,170,052</u>	<u>6</u>
Cumulative effect of changes in accounting principles			18,004	0
Net income			<u>1,188,057</u>	<u>6</u>
Net income attributed to holding company	601,270	4	976,305	5
Net income attributed to minority interest	144,665	1	211,752	1
	<u>745,935</u>	<u>4</u>	<u>1,188,057</u>	<u>6</u>