

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

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

Assets	2005/12/31	%	2006/12/31	%	Liabilities and Stockholders' Equity	2005/12/31	%	2006/12/31	%
Current assets					Current liabilities:				
Cash and cash equivalents	\$ 2,231,228	9	6,125,729	20	Short-term borrowings	\$ 921,647	4	734,702	2
Short-term investments	393,600	2	845,189	3	Notes and accounts payable	3,742,735	16	5,059,122	17
Notes and accounts receivable, net	6,793,764	28	8,187,041	27	Payables to related parties	1,599,083	7	1,325,626	4
Receivables from related parties	159,817	1	119,441	0	Current portion of long-term debts	5,938	0	3,660	0
Other financial assets-current	429,711	2	8,189	0	Other current liabilities	3,528,221	15	3,639,839	12
Inventories	6,798,202	28	7,249,546	24	Total current liabilities	<u>9,797,625</u>	<u>41</u>	<u>10,762,950</u>	<u>35</u>
Other current assets	765,678	3	1,073,397	4	Long-term liabilities bearing interest:				
Restricted assets	194,540	1	0	0	Bonds payable				
Total current assets	<u>17,766,539</u>	<u>74</u>	<u>23,608,532</u>	<u>77</u>	Long-term debts and lease obligations payable, excluding current installments	20,171	0	1,199,157	4
Long-term investments					Total long-term liabilities	<u>20,171</u>	<u>0</u>	<u>1,199,157</u>	<u>4</u>
Long-term investments under equity method	1,540,853	6	1,703,603	6	Other liabilities				
Long-term investments under cost method	675,624	3	950,292	3	Accrued pension	77,261	0		0
Total long-term investments	<u>2,216,477</u>	<u>9</u>	<u>2,653,895</u>	<u>9</u>	Deferred credit and others	253,648	1	745,952	2
Other financial assets--noncurrent	78,178	0	17,816	0	Total other liabilities	<u>330,908</u>	<u>1</u>	<u>745,952</u>	<u>2</u>
Property, plant and equipment					Total liabilities	<u>10,148,704</u>	<u>42</u>	<u>12,708,059</u>	<u>41</u>
Land	569,925	2	531,453	2	Stockholders' equity				
Buildings and improvements	2,072,674	9	2,203,829	7	Common stock	6,091,618	25	6,633,780	22
Machinery and equipment	1,196,289	5	1,580,773	5	Capital surplus	2,435,023	10	2,082,047	7
Other equipment	593,597	2	666,485	2	Retained earnings:				
	4,432,486	18	4,982,541	16	Legal reserve	1,007,790	4	1,171,372	4
Less: accumulated depreciation	1,189,593	5	1,557,841	5	Special reserve				
Construction in progress and prepayment for purchases of machinery and equipment	96,801	0	96,614	0	Unappropriated earnings	2,943,650	12	4,114,716	13
Net property, plant and equipment	<u>3,339,694</u>	<u>13</u>	<u>3,521,314</u>	<u>11</u>		<u>3,951,439</u>	<u>16</u>	<u>5,286,088</u>	<u>17</u>
Other assets:					Foreign currency translation adjustment	136,533	1	282,109	1
Assets held for lease	250,212	1	243,260	1	Long-term investments unrealized decline loss	(56,617)	(0)		
Others	565,056	2	598,046	2	financial asset unrealized decline loss			559,311	2
Total other assets	<u>815,268</u>	<u>3</u>	<u>841,306</u>	<u>3</u>	Treasury stock	(448,716)	(2)		
					Equity belonged to parent company's shareholders	12,109,281	50	14,843,335	48
					Minority Interest	1,958,172	8	3,091,468	10
					Total stockholders' equity	<u>14,067,453</u>	<u>58</u>	<u>17,934,803</u>	<u>59</u>
Total assets	<u>\$ 24,216,156</u>	<u>100</u>	<u>30,642,862</u>	<u>100</u>	Total liabilities and stockholders' equity	<u>\$ 24,216,156</u>	<u>100</u>	<u>30,642,862</u>	<u>100</u>

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

Years ended December 30, 2005 and 2006

(In thousands of New Taiwan dollars)

	2005	%	2006	%
Sales	\$ 36,380,989	100	41,695,484	100
Cost of goods sold	25,050,017	69	28,260,013	68
	<u>11,330,972</u>	<u>31</u>	<u>13,435,470</u>	<u>32</u>
Net changes in unrealized profit in inter-company sales	0	0	0	0
Gross Profit	<u>11,330,972</u>	<u>31</u>	<u>13,435,470</u>	<u>32</u>
Operating expenses				
Selling	6,909,231	19	7,356,861	18
Administrative	705,166	2	1,088,469	3
Research and development	1,169,779	3	1,162,841	3
	<u>8,784,176</u>	<u>24</u>	<u>9,608,171</u>	<u>23</u>
Operating income	<u>2,546,796</u>	<u>7</u>	<u>3,827,300</u>	<u>9</u>
Nonoperating income:				
Interest income	60,384	0	128,504	0
Exchange gain, net	39,308	0	98,085	0
Gain on disposal of investments	263,225	1	83,349	0
Investment income from long-term investments under equity method, net	211,398	1	98,059	0
Gain from short-term investments price recovery	11,982	0		
Other income, net	173,981	0	70,769	0
	<u>760,278</u>	<u>2</u>	<u>478,766</u>	<u>1</u>
Nonoperating expenses:				
Interest expenses	95,820	0	80,285	0
Exchange loss, net		0		
Investment loss on long-term investments under cost method,	5,460	0		
Loss on inventory obsolescence and devaluation	356,349	1	397,300	1
Loss from ideal assets market price decline	84,500			
Loss from disposable of fixed asset, net	44,838			
Other expense, net	59,548			
	<u>646,515</u>	<u>1</u>	<u>477,585</u>	<u>1</u>
Income before income taxes and minority interest	2,660,560	7	3,828,480	9
Income tax expenses	642,406	2	779,194	2
Net income	<u>2,018,154</u>	<u>6</u>	<u>3,049,286</u>	<u>7</u>
Net income attributed to holding company	1,635,825	4	2,521,730	6
Net income attributed to minority interest	382,329	1	527,557	1
	<u>2,018,154</u>	<u>6</u>	<u>3,049,286</u>	<u>7</u>