

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2004 and 2005
(In thousands of New Taiwan dollars)

Assets	2004/9/30	%	2005/9/30	%	Liabilities and Stockholders' Equity	2004/9/30	%	2005/9/30	%
Current assets					Current liabilities:				
Cash and cash equivalents	2,517,263	10	2,649,938	10	Short-term borrowings	3,459,270	13	1,046,308	4
Short-term investments	2,240,558	9	537,176	2	Notes and accounts payable	4,060,084	16	5,419,476	21
Notes and accounts receivable, net	5,666,400	22	7,615,620	30	Payables to related parties	507,575	2	1,394,412	6
Receivables from related parties	93,333	0	171,687	1	Current portion of long-term debts	1,608,813	6	5,682	0
Other financial assets-current	34,337	0	202,243	1	Other current liabilities	4,001,919	15	3,450,156	14
Inventories	6,071,910	23	7,227,612	28	Total current liabilities	<u>13,637,661</u>	<u>52</u>	<u>11,316,033</u>	<u>44</u>
Other current assets	1,738,198	7	953,122	4	Long-term liabilities bearing interest:				
Restricted assets	1,166,744	4	0	0	Bonds payable				
Total current assets	<u>19,528,743</u>	<u>75</u>	<u>19,357,398</u>	<u>76</u>	Long-term debts and lease obligations payable, excluding current installments			14,696	0
Long-term investments					Total long-term liabilities	<u>0</u>	<u>0</u>	<u>14,696</u>	<u>0</u>
Long-term investments under equity method	1,739,374	7	1,472,385	6	Other liabilities				
Long-term investments under cost method	691,835	3	700,612	3	Accrued pension	47,236	0	71,939	0
Total long-term investments	<u>2,431,209</u>	<u>9</u>	<u>2,172,997</u>	<u>9</u>	Deferred credit and others	307,857	1	212,323	1
Other financial assets-noncurrent	<u>7,158</u>	<u>0</u>	<u>6,868</u>	<u>0</u>	Total other liabilities	<u>355,093</u>	<u>1</u>	<u>284,262</u>	<u>1</u>
Property, plant and equipment					Total liabilities	<u>13,992,754</u>	<u>54</u>	<u>11,614,991</u>	<u>46</u>
Land	95,949	0	38,472	0	Stockholders' equity				
Buildings and improvements	2,196,836	8	1,678,103	7	Common stock	5,508,242	21	6,091,618	24
Machinery and equipment	1,351,282	5	1,178,292	5	Capital surplus	2,962,888	11	2,434,489	10
Other equipment	511,387	2	507,831	2	Retained earnings:				
	<u>4,155,454</u>	<u>16</u>	<u>3,402,698</u>	<u>14</u>	Legal reserve	747,696	3	1,007,789	4
Less: accumulated depreciation	1,553,285	6	1,135,526	4	Special reserve				
Construction in progress and prepayment for purchases of machinery and equipment	76,860	0	45,019	0	Unappropriated earnings	2,361,228	9	2,586,306	10
Net property, plant and equipment	<u>2,679,029</u>	<u>10</u>	<u>2,312,190</u>	<u>10</u>		<u>3,108,924</u>	<u>12</u>	<u>3,594,094</u>	<u>14</u>
Other assets:					Foreign currency translation adjustment	171,837	1	244,168	1
Assets held for lease	880,000	3	1,149,647	5	Long-term investments unrealized loss			(41,915)	(0)
Others	550,368	2	502,665	2	Treasury stock	(560,761)	(2)	(448,716)	(2)
Total other assets	<u>1,430,368</u>	<u>5</u>	<u>1,652,312</u>	<u>7</u>	Equity belongs to parent company's shareholders			11,873,739	47
					Minority Interest	892,623	3	2,013,035	8
					Total stockholders' equity	<u>12,083,753</u>	<u>46</u>	<u>13,886,774</u>	<u>55</u>
Total assets	<u>\$ 26,076,507</u>	<u>100</u>	<u>25,501,765</u>	<u>100</u>	Total liabilities and stockholders' equity	<u>\$ 26,076,507</u>	<u>100</u>	<u>25,501,765</u>	<u>100</u>

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

Years ended September 30, 2004 and 2005

(In thousands of New Taiwan dollars)

	YTSep04	%	YTSep05	%
Sales	23,756,272	100	26,520,884	100
Cost of goods sold	15,937,825	67	18,247,441	69
	<u>7,818,447</u>	<u>33</u>	<u>8,273,443</u>	<u>31</u>
Net changes in unrealized profit in inter-company sales	(3,847)	(0)		0
Gross Profit	<u>7,822,294</u>	<u>33</u>	<u>8,273,443</u>	<u>31</u>
Operating expenses				
Selling	4,705,252	20	4,895,336	18
Administrative	462,439	2	475,737	2
Research and development	777,496	3	1,002,028	4
	<u>5,945,187</u>	<u>25</u>	<u>6,373,101</u>	<u>24</u>
Operating income	<u>1,877,107</u>	<u>8</u>	<u>1,900,342</u>	<u>7</u>
Nonoperating income:				
Interest income	37,318	0	36,699	0
Exchange gain, net	42,216	0	130,727	0
Gain on disposal of investments	862,945	4	244,789	1
Investment income from long-term investments under equity method, net	71,078	0	124,796	0
Other income, net	72,262	0	109,255	0
	<u>1,085,819</u>	<u>5</u>	<u>646,266</u>	<u>2</u>
Nonoperating expenses:				
Interest expenses	169,210	1	81,065	0
Investment loss on long-term investments under cost method,	59,775	0	5,460	0
Loss on devaluation of idle assets			54,500	
Loss on inventory obsolescence and devaluation	220,457	1	262,941	1
	<u>449,442</u>	<u>2</u>	<u>403,966</u>	<u>1</u>
Income tax expenses	<u>295,716</u>	<u>1</u>	<u>553,818</u>	<u>2</u>
Net income	<u>2,217,768</u>	<u>9</u>	<u>1,588,824</u>	<u>6</u>
Net income attributed to holding company	2,034,167	9	1,281,631	5
Net income attributed to minority interest	<u>183,601</u>	<u>1</u>	<u>307,193</u>	<u>1</u>
	<u>2,217,768</u>	<u>9</u>	<u>1,588,824</u>	<u>6</u>