

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2004 and 2005
(In thousands of New Taiwan dollars)

Assets	2004/12/31	%	2005/12/31	%	Liabilities and Stockholders' Equity	2004/12/31	%	2005/12/31	%
Current assets					Current liabilities:				
Cash and cash equivalents	\$ 3,826,361	15	\$ 2,415,149	10	Short-term borrowings	\$ 4,642,867	18	\$ 708,553	3
Short-term investments	1,364,171	5	720,395	3	Notes and accounts payable	3,294,926	13	3,843,334	16
Notes and accounts receivable, net	5,643,083	22	6,786,065	28	Payables to related parties	1,433,560	6	2,085,480	9
Receivables from related parties	148,327	1	53,793	0	Current portion of long-term debts	235,533	1	6,772	0
Other financial assets-current	0	0	83,762	0	Other current liabilities	2,653,552	10	3,230,093	13
Inventories	6,042,779	23	7,141,036	29	Total current liabilities	<u>12,260,438</u>	<u>47</u>	<u>9,874,232</u>	<u>40</u>
Other current assets	994,347	4	816,094	3	Long-term liabilities bearing interest:				
Restricted assets	1,595,013	6	0	0	Bonds payable				0
Total current assets	<u>19,614,081</u>	<u>76</u>	<u>18,016,294</u>	<u>73</u>	Long-term debts and lease obligations payable, excluding current installments	21,744	0	15,971	0
Long-term investments					Total long-term liabilities	<u>21,744</u>	<u>0</u>	<u>15,971</u>	<u>0</u>
Long-term investments under equity method	1,476,267	6	1,546,590	6	Other liabilities				
Long-term investments under cost method	675,006	3	701,224	3	Accrued pension	0	0	73,458	0
Total long-term investments	<u>2,151,273</u>	<u>9</u>	<u>2,247,815</u>	<u>9</u>	Deferred credit and others	244,292	1	244,266	1
Other financial assets-noncurrent	<u>40,589</u>	<u>0</u>	<u>9,146</u>	<u>0</u>	Total other liabilities	<u>244,292</u>	<u>1</u>	<u>317,724</u>	<u>1</u>
Property, plant and equipment					Total liabilities	<u>12,526,474</u>	<u>48</u>	<u>10,207,927</u>	<u>42</u>
Land	38,472	0	38,472	0	Stockholders' equity				
Buildings and improvements	1,729,264	7	1,718,730	7	Common stock	5,475,211	21	6,091,618	25
Machinery and equipment	1,452,677	6	1,202,844	5	Capital surplus	2,894,829	11	2,443,572	10
Other equipment	586,234	2	574,331	2	Retained earnings:				
	<u>3,806,647</u>	<u>15</u>	<u>3,534,377</u>	<u>14</u>	Legal reserve	747,696	3	1,007,789	4
Less:accumulated depreciation	1,498,797	6	1,159,602	5	Special reserve	0	0	0	0
Less:assets impairment loss	0	0	0	0	Unappropriated earnings	2,929,260	11	2,935,715	12
Construction in progress and prepayment for purchases of machinery and equipment	21,551	0	96,801	0		<u>3,676,956</u>	<u>14</u>	<u>3,943,504</u>	<u>16</u>
Net property, plant and equipment	<u>2,329,401</u>	<u>9</u>	<u>2,471,576</u>	<u>9</u>	Foreign currency translation adjustment	150,824	1	109,605	0
Other assets:					Long-term investments unrealized decline loss	(86,840)	(0)	(56,617)	(0)
Assets held for lease	1,222,722	5	1,111,860	5	Treasury stock	(448,716)	(2)	(448,716)	(2)
Others	517,461	2	574,384	2	Equity belonged to parent company's shareholders	11,662,264	45	12,082,966	50
Total other assets	<u>1,740,183</u>	<u>7</u>	<u>1,686,243</u>	<u>7</u>	Minority Interest	1,686,789	7	2,140,182	9
Total assets	<u>\$ 25,875,527</u>	<u>100</u>	<u>\$ 24,431,075</u>	<u>100</u>	Total stockholders' equity	<u>13,349,053</u>	<u>52</u>	<u>14,223,148</u>	<u>58</u>
					Total liabilities and stockholders' equity	<u>\$ 25,875,527</u>	<u>100</u>	<u>\$ 24,431,075</u>	<u>100</u>

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

Years ended December 31, 2004 and 2005

(In thousands of New Taiwan dollars)

	2004	%	2005	%
Sales	\$ 32,245,237	100	\$ 36,507,561	100
Cost of goods sold	21,437,524	66	25,021,721	69
	<u>10,807,713</u>	<u>34</u>	<u>11,485,840</u>	<u>31</u>
Net changes in unrealized profit in inter-company sales	0	0	0	0
Gross Profit	<u>10,807,713</u>	<u>34</u>	<u>11,485,840</u>	<u>31</u>
Operating expenses				
Selling	6,257,406	19	6,848,109	19
Administrative	664,930	2	746,941	2
Research and development	1,251,542	4	1,192,980	3
	<u>8,173,878</u>	<u>25</u>	<u>8,788,030</u>	<u>24</u>
Operating income	<u>2,633,835</u>	<u>8</u>	<u>2,697,810</u>	<u>7</u>
Nonoperating income:				
Interest income	86,277	0	37,364	0
Exchange gain, net	(128,412)	(0)	40,029	0
Gain on disposal of investments	1,072,347	3	245,225	1
Investment income from long-term investments under equity method, net	140,439	0	268,451	1
Other income, net	110,772	0		0
	<u>1,281,423</u>	<u>4</u>	<u>591,069</u>	<u>2</u>
Nonoperating expenses:				
Interest expenses	193,136	1	68,787	0
Investment loss on long-term investments under cost method,	132,496	0	0	0
Loss on inventory obsolescence and devaluation	374,366	1	346,689	1
Other expense, net			14,945	
	<u>699,998</u>	<u>2</u>	<u>430,421</u>	<u>1</u>
Income before income taxes and minority interest	3,215,260	10	2,858,458	8
Income tax expenses	398,680	1	773,422	2
Net income	<u>2,816,580</u>	<u>9</u>	<u>2,085,035</u>	<u>6</u>
Net income attributed to holding company	2,600,935	8	1,631,058	4
Net income attributed to minority interest	215,645	1	453,978	1
	<u>2,816,580</u>	<u>9</u>	<u>2,085,035</u>	<u>6</u>