

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2005 and 2006
(In thousands of New Taiwan dollars)

Assets	2005/3/31	%	2006/3/31	%	Liabilities and Stockholders' Equity	2005/3/31	%	2006/3/31	%
Current assets					Current liabilities:				
Cash and cash equivalents	\$ 1,775,091	7	4,665,415	17	Short-term borrowings	\$ 3,998,264	16	\$ 639,557	2
Short-term investments	3,679,896	14	325,503	1	Notes and accounts payable	3,531,132	14	4,291,083	16
Notes and accounts receivable, net	6,240,747	24	7,055,951	26	Payables to related parties	1,414,400	6	1,602,840	6
Receivables from related parties	227,069	1	32,421	0	Current portion of long-term debts	2,266	0	6,009	0
Other financial assets-current	35,915	0	22,307	0	Income tax payable	432,473	2	541,393	2
Inventories	5,453,972	21	7,281,654	27	Other current liabilities	2,025,282	8	2,811,484	10
Other current assets	911,799	4	706,487	3	Total current liabilities	<u>11,403,817</u>	<u>45</u>	<u>9,892,366</u>	<u>37</u>
Restricted assets	1,057,056	4	130,000	0	Long-term liabilities bearing interest:				
Total current assets	<u>19,381,545</u>	<u>75</u>	<u>20,219,739</u>	<u>75</u>	Bonds payable				
					Long-term debts and lease obligations payable, excluding current installments	21,414	0	1,065,843	4
Long-term investments					Total long-term liabilities	<u>21,414</u>	<u>0</u>	<u>1,065,843</u>	<u>4</u>
Long-term investments under equity method	1,434,244	6	1,630,756	6	Other liabilities				
Long-term investments under cost method	680,699	3	912,389	3	Accrued pension	0	0	74,615	0
Total long-term investments	<u>2,114,943</u>	<u>9</u>	<u>2,543,145</u>	<u>9</u>	Deferred credit and others	249,764	1	585,483	2
Other financial assets-noncurrent	<u>18,933</u>	<u>0</u>	<u>12,625</u>	<u>0</u>	Total other liabilities	<u>249,764</u>	<u>1</u>	<u>660,097</u>	<u>2</u>
Property, plant and equipment					Total liabilities	<u>11,674,995</u>	<u>46</u>	<u>11,618,307</u>	<u>43</u>
Land	38,472	0	531,453	2	Stockholders' equity				
Buildings and improvements	1,723,114	7	2,067,334	8	Common stock	5,486,926	22	6,091,618	23
Machinery and equipment	1,494,357	6	1,273,116	5	Capital surplus	2,909,333	11	2,436,896	9
Other equipment	562,230	2	545,432	2	Retained earnings:				
	<u>3,818,173</u>	<u>15</u>	<u>4,417,336</u>	<u>16</u>	Legal reserve	747,696	3	1,007,372	4
Less: accumulated depreciation	1,570,606	6	1,274,307	5	Special reserve	0		418	0
Less: assets impairment loss				0	Unappropriated earnings	3,282,328	13	3,526,617	13
Construction in progress and prepayment for purchases of machinery and equipment	22,818	0	107,914	0		<u>4,030,024</u>	<u>16</u>	<u>4,534,406</u>	<u>17</u>
Net property, plant and equipment	<u>2,270,385</u>	<u>9</u>	<u>3,250,943</u>	<u>12</u>	Foreign currency translation adjustment	75,371	0	145,880	1
Other assets:					Long-term investments unrealized decline loss	(28,860)	(0)	0	0
Assets held for lease	1,214,957	5	248,296	1	financial asset unrealized decline loss			180,459	1
Others	531,568	2	575,325	2	Treasury stock	(448,716)	(2)	(448,716)	(2)
Total other assets	<u>1,746,525</u>	<u>7</u>	<u>823,621</u>	<u>3</u>	Equity belonged to parent company's shareholders	12,024,078	47	12,940,544	48
					Minority Interest	1,833,258	7	2,291,223	9
Total assets	<u>\$ 25,532,331</u>	<u>100</u>	<u>26,850,073</u>	<u>100</u>	Total liabilities and stockholders' equity	<u>\$ 25,532,331</u>	<u>100</u>	<u>\$ 26,850,073</u>	<u>100</u>

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

Years ended March 31, 2005 and 2006

(In thousands of New Taiwan dollars)

	2005	%	2006	%
Sales	\$ 8,556,587	100	\$ 9,543,148	100
Cost of goods sold	5,880,436	69	6,431,060	67
	<u>2,676,151</u>	<u>31</u>	<u>3,112,088</u>	<u>33</u>
Net changes in unrealized profit in inter-company sales	0	0	0	0
Gross Profit	<u>2,676,151</u>	<u>31</u>	<u>3,112,088</u>	<u>33</u>
Operating expenses				
Selling	1,495,380	17	1,873,200	20
Administrative	174,023	2	227,021	2
Research and development	340,389	4	274,554	3
	<u>2,009,792</u>	<u>23</u>	<u>2,374,775</u>	<u>25</u>
Operating income	<u>666,359</u>	<u>8</u>	<u>737,312</u>	<u>8</u>
Nonoperating income:				
Interest income	13,826	0	27,544	0
Exchange gain, net	(48,079)	(1)	60,781	1
Gain on disposal of investments	64,578	1	1,412	0
Investment income from long-term investments under equity method, net	(2,745)	(0)	60,686	1
Other income, net	13,713	0	17,322	0
	<u>41,293</u>	<u>0</u>	<u>167,746</u>	<u>2</u>
Nonoperating expenses:				
Interest expenses	31,964	0	24,199	0
Investment loss on long-term investments under cost method,	0	0	0	0
Loss on inventory obsolescence and devaluation	97,975	1	84,324	1
	<u>129,939</u>	<u>2</u>	<u>108,523</u>	<u>1</u>
Income before income taxes and minority interest	<u>577,713</u>	<u>7</u>	<u>796,535</u>	<u>8</u>
Income tax expenses	167,608	2	120,801	1
Income before cumulative effect of changes in accounting pr	<u>410,105</u>	<u>5</u>	<u>675,734</u>	<u>7</u>
Cumulative effect of changes in accounting principles			<u>17,646</u>	<u>0</u>
Net income			<u>693,380</u>	<u>7</u>
Net income attributed to holding company	353,321	4	582,967	6
Net income attributed to minority interest	56,784	1	110,413	1
	<u>410,105</u>	<u>5</u>	<u>693,380</u>	<u>7</u>