

# D-LINK CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Income

**Years ended September 30, 2005 and 2006**

(In thousands of New Taiwan dollars)

	2005Q3	%	2006Q3	%
<b>Sales</b>	26,520,884	100	30,383,534	100
<b>Cost of goods sold</b>	18,247,441	69	20,863,924	69
	8,273,443	31	9,519,610	31
<b>Net changes in unrealized profit in inter-company sales</b>	0	0	0	0
<b>Gross Profit</b>	8,273,443	31	9,519,610	31
<b>Operating expenses</b>				
Selling	4,895,336	18	5,484,319	18
Administrative	475,737	2	780,504	3
Research and development	1,002,028	4	941,587	3
	6,373,101	24	7,206,411	24
<b>Operating income</b>	1,900,342	7	2,313,199	8
<b>Nonoperating income:</b>				
Interest income	36,699	0	94,905	0
Exchange gain, net	130,727	0	93,546	0
Gain on disposal of investments	244,789	1	81,674	0
Investment income from long-term investments under equity method, net	124,796	0	112,584	0
Other income, net	109,255	0	73,437	0
	646,266	2	456,146	2
<b>Nonoperating expenses:</b>				
Interest expenses	81,065	0	63,674	0
Exchange loss, net	5,460	0		0
Investment loss on long-term investments under cost method,	54,500			0
Loss on inventory obsolescence and devaluation	262,941	1	219,160	1
	403,966	1	282,833	1
<b>Income tax expenses</b>	553,818	2	472,037	2
<b>Income before cumulative effect of changes in accounting principles</b>	1,588,824	6	2,014,474	7
<b>Cumulative effect of changes in accounting principles</b>			31,518	0
<b>Net income</b>			2,014,506	7
<b>Net income attributed to holding company</b>	1,281,631	5	1,699,947	6
<b>Net income attributed to minority interest</b>	307,193	1	314,559	1
	1,588,824	6	2,014,506	7

## D-LINK CORPORATION AND SUBSIDIARIES

### Consolidated Balance Sheets

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

Assets	2005/9/30	%	2006/9/30	%	Liabilities and Stockholders' Equity	2005/9/30	%	2006/9/30	%
<b>Current assets</b>					<b>Current liabilities:</b>				
Cash and cash equivalents	2,649,938	10	3,686,210	12	Short-term borrowings	1,046,308	4	536,078	2
Short-term investments	537,176	2	937,011	3	Notes and accounts payable	5,419,476	21	5,585,766	19
Notes and accounts receivable, net	7,615,620	30	8,983,218	30	Payables to related parties	1,394,412	6	1,782,516	6
Receivables from related parties	171,687	1	660,571	2	Current portion of long-term debts	5,682	0	4,151	0
Other financial assets-current	202,243	1	1,372	0	Other current liabilities	3,450,156	14	3,725,497	13
Inventories	7,227,612	28	7,886,851	27	<b>Total current liabilities</b>	<u>11,316,033</u>	<u>44</u>	<u>11,634,009</u>	<u>39</u>
Other current assets	953,122	4	815,029	3	<b>Long-term liabilities bearing interest:</b>				
Restricted assets	0	0	0	0	Bonds payable				0
<b>Total current assets</b>	<u>19,357,398</u>	<u>76</u>	<u>22,970,261</u>	<u>78</u>	Long-term debts and lease obligations payable, excluding current installments	14,696	0	1,192,679	4
<b>Long-term investments</b>					<b>Total long-term liabilities</b>	<u>14,696</u>	<u>0</u>	<u>1,192,679</u>	<u>4</u>
Long-term investments under equity method	1,472,385	6	1,674,992	6	<b>Other liabilities</b>				
Long-term investments under cost method	700,612	3	751,144	3	Accrued pension	71,939	0		0
<b>Total long-term investments</b>	<u>2,172,997</u>	<u>9</u>	<u>2,426,136</u>	<u>8</u>	Deferred credit and others	212,323	1	940,968	3
Other financial assets--noncurrent	6,868	0	8,984	0	<b>Total other liabilities</b>	<u>284,262</u>	<u>1</u>	<u>940,968</u>	<u>3</u>
<b>Property, plant and equipment</b>					<b>Total liabilities</b>	<u>11,614,991</u>	<u>46</u>	<u>13,767,655</u>	<u>47</u>
Land	38,472	0	531,453	2	<b>Stockholders' equity</b>				0
Buildings and improvements	1,678,103	7	2,127,011	7	Common stock	6,091,618	24	6,753,780	23
Machinery and equipment	1,178,292	5	1,515,631	5	Capital surplus	2,434,489	10	1,950,777	7
Other equipment	507,831	2	633,081	2	Retained earnings:				
	<u>3,402,698</u>	<u>14</u>	<u>4,807,176</u>	<u>16</u>	Legal reserve	1,007,789	4	1,171,372	4
Less: accumulated depreciation	1,135,526	4	1,477,498	5	Special reserve				0
Construction in progress and prepayment for purchases of machinery and equipment	45,019	0	162,016	1	Unappropriated earnings	2,586,306	10	3,455,987	12
<b>Net property, plant and equipment</b>	<u>2,312,190</u>	<u>10</u>	<u>3,491,695</u>	<u>12</u>		<u>3,594,094</u>	<u>14</u>	<u>4,627,359</u>	<u>16</u>
<b>Other assets:</b>					Foreign currency translation adjustment	244,168	1	297,957	1
Assets held for lease	1,149,647	5	241,892	1	Long-term investments unrealized decline loss	(41,915)	(0)		0
Others	502,665	2	407,272	1	financial asset unrealized decline loss			123,121	0
<b>Total other assets</b>	<u>1,652,312</u>	<u>7</u>	<u>649,164</u>	<u>2</u>	Treasury stock	(448,716)	(2)	(448,716)	(2)
					Equity belonged to parent company's shareholders	11,873,739	47	13,304,278	45
<b>Total assets</b>	<u>25,501,765</u>	<u>100</u>	<u>29,546,240</u>	<u>100</u>	Minority Interest	2,013,035	8	2,474,307	8
					<b>Total stockholders' equity</b>	<u>13,886,774</u>	<u>55</u>	<u>15,778,585</u>	<u>53</u>
									0
					<b>Total liabilities and stockholders' equity</b>	<u>25,501,765</u>	<u>100</u>	<u>29,546,240</u>	<u>100</u>