

Spokesperson:

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D-Link Reports 1Q07 Pro Forma Consolidated Financials

- First quarter 2007 net revenue was NT\$10.456bln, down 7.6% quarter-over-quarter.
- First quarter 2007 gross margin was 34.5% compared to 34.6% in 4Q06.
- First quarter 2007 operating margin was 9.1% compared to 13.4% in 4Q06.
- First quarter 2007 tax rate was 8.7% of PBT, compared to 22.9% in 4Q06.
- First quarter 2007 net income was NT\$1,147mln, up by 39.5% from NT\$822mln in 4Q06.
- First quarter 2007 EPS, on average weighted capital of NT\$6,634mln, was NT\$1.73, up by 39.5% from NT\$1.24 per share in 4Q06.
- All of the figures of 1Q07 are pro forma.

Taipei, Taiwan, April 26, 2007 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announces its global pro forma consolidated financial results for the first quarter of 2007.

For the first quarter of 2007, D-Link posted net revenue of NT\$10.456bln, seasonally down by 7.6% over 4Q06, or up by 9.6% compared to the year-ago figure. Owing to better product mix towards more upstream switches sales of both D-Link brand and its OEM subsidiary Alpha, consolidated gross margin maintained at 34.5% in 1Q07, compared to 34.6% in 4Q06, or up by 1.9% from 32.6% in the year-ago comparable quarter. What worth mentioning in the 1Q07 gross margin was that the margin was actually trending upward by about 1% vs. 4Q06's, when the 1.1% shipping cost adjustment in 4Q06 was factored out. Operating expenses of 25.4% of net revenue were up from 21.2% of the previous quarter, or compared to 24.9% in 1Q06, due to seasonably heavy selling and marketing expenses relating to more promotion and marketing events in 1Q07. Operating profit margin was 9.1%, compared to 13.4% in 4Q06, or 7.7% in 1Q06.

The non-op sector ended up with a total gain of NT\$466M, consisting of NT\$455mln capital gain on Alpha's share disposal, NT\$30mln long term investment income via equity method, NT\$ 116mln of FX gain, and NT\$7mln of financial/other incomes. The gain was offset by

NT\$142mln of provisional inventory loss. The huge capital gain was realized mainly by disposal of 6.8% of Alpha's shares, among other non-core holdings. The inventory loss was stemmed from D-Link's major write-down of all 11g wireless products as well as accrual of higher provision on consumer products with D-Link 1.0 version.

The profit before tax amounted to NT\$1,419mln, or equivalent to NT\$2.14 per share by adopting NT\$6,634mln of capital. The pre-tax profit was knocked out by NT\$123mln tax expenses and NT\$149mln minority interests, leaving consolidated net income of NT\$1,147mln in the bottom line of the first quarter, or EPS of NT\$1.73. The tax rate applied to 1Q07 was 8.7%, significantly lower than 22.9% in 4Q06, due mainly to tax free status for the non-operating profit and relative lower international tax occurring to the March quarter.

All financial metrics of D-Link's balance sheet remained healthy as of March 31, 2007. NT\$6,949mln Cash and NT\$1,179mln short-term money market investment totaling NT\$8,128mln, increased by NT\$1,158mln from NT\$6,970mln at the December quarter of 2006, primarily due to NT\$839mln of investment cash inflow resulting from disposal of Alpha's shares. The March quarter Account Receivable of NT\$8,295mln was virtually at par with NT\$8,306mln in the previous quarter. Days A/R was slightly lengthened to 72 days from 67 days at the end of December 2006. Inventory went up to NT\$8,046mln from NT\$7,250mln as of December 31, 2006 due to Alpha's temporary additional stocks of about NT\$800M in preparation for higher production volume for its OEM/ODM customers in the following quarter. Therefore QoQ Days Inventory was lengthened to 102 days from 91 days as of the end of December 2006. Cash was cycled at 87 days, compared to 82 days as of December 31, 2006. The current ratio and debt/equity ratio kept improving in the March quarter. In a nutshell, D-Link financial standing was continuously sound and more liquid than ever before.

To break down 1Q07 revenue by regions, D-Link's global operation cast 24%, 27%, and 49% of consolidated sales on North America, Europe, and APAC & Emerging markets respectively. For the Group, North America's sales were down 1.1% compared to the figure in the year-ago comparable quarter or down 14.6% sequentially. Europe's went up substantially 16.7% YoY, but seasonally down 10.0% QoQ, and APac & Emerging markets' was up 11.9% YoY but slightly down by 2.3% QoQ. In 1Q07, although D-Link's geographic revenue remained well diversified, offering good balance between growth and profit, the continuously intensified brand competition in the sluggish North Americas market, especially in the retail sector has become a cause of our concern. To the contrary, Southern and Central Europe, Latin America and Russia demonstrated great growth momentum due to firm demand for infrastructure development.

By product categories, WLAN remained as the No.1 sales item, accounting for 31% of 1Q07 consolidated revenue, followed by Switch 29%, Broadband 25%, Digital Home 9%, and NIC & Others 6%. Switch grew 25.3% YoY but slightly down 2.4% QoQ, WLAN increased 5.9% YoY but down 14.3% QoQ, Broadband rose by 5.5% YoY but down 7.6% QoQ, and Digital home was down 8.6% YoY or down 16.1% QoQ. The fast growing yoy switch sales represented the brightest spot in our product mix and produced most of the positive results.

According to In-Stat 4Q 2006 statistics, in unit terms, D-Link remained at the helm as the global connectivity leader in SMB/SOHO/Consumer segments, commanding 26.2% of global market shares, up 1.9% from 24.3% in the previous quarter, ahead of Linksys' 25.2% and Netgear's 15.7%, respectively. D-Link kept its solid leading position in global SMB/SOHO/Consumer networking connectivity.

The Board meeting on April 25, 2007 passed a resolution of conducting a twenty (20) percent capital deduction plan on the basis of ex-dividend and ex-bonus of 2006. NT\$2 per share, totaling around NT\$1.368bln will be returned to shareholders upon completion of the plan. The capital deduction is a logical move after substantial disposal / divestment of part of our major non-core holdings on our manufacturing subsidiaries, namely Alpha which was officially spun off in 2003 when D-Link strategically decided to focus on developing D-Link brand business going forward. This capital restructuring plan will help streamline the company's balance sheet through digesting excess cash and improve the ROE for company's shareholders on a structural and long term bases. On the reporting side, starting from 2Q07 with D-Link's holding on Alpha down below 50%, D-link will deconsolidate Alpha's statements from the company's global consolidated statements. All numbers related to operation results to be released going forward will be directly related to D-Link brand business. This will greatly improve transparency of our financial statements and benefit our shareholders administratively.

Regarding 2Q07's outlook for D-Link brand business, we project 2Q07 revenue to be flat due mainly to the gloomy outlook in the US domestic retail market where we are aggressively developing non-consumer products and channels for SMB customers. Gross margin in 2Q07 is anticipated to maintain in the range of 34%-35%, thank to our solid switch sales growth in emerging market. From regional perspective, the significant slowdown in 1Q07 in the retail consumer products in North America market, especially in the USA, is likely to drag sales flat but we are hoping consumer products demand to come back in early second half. Europe will be seasonally slow, maintaining the similar sales pattern as the past several years. Emerging markets and Asia Pacific are projected to keep growing with steady pace sequentially due to strong demand of networking products in Russia and Latin America. As for product drivers, intelligent switches will keep gaining momentum and generating the

highest margin, ramp-up of Pre-N products has taken place in North America and to be followed in Europe. IP cameras and storage devices are signaling its rising star positions by accelerating sales, leading the growth in Digital Home category. In summary, our view toward the second quarter is to have a steady normal season sales momentum, except our growing concern over the weak US retail market performance.

About D-Link

D-Link is the global leader in total products shipped for consumer networking connectivity according to reports published by the Synergy Research Group. D-Link is the worldwide leader and award winning designer, developer, and manufacturer of networking, broadband, digital electronics, voice and data communications solutions for the digital home, Small Office/Home Office (SOHO), Small to Medium Business (SMB), and Workgroup to Enterprise environments. With earthy and intensive worldwide market channel coverage over 100 countries and full-range product offering of Ethernet adapters, switches and routers for professional and home users, D-Link is a dominant market participant and price/performance leader in the networking and communications market. D-Link Corporation is headquartered at No.289, Sinhu 3rd Road, Neihu District, Taipei City 114, Taiwan. Phone: 886-2-6600-0123; FAX 886-2-6600-9898; Internet www.dlink.com.tw

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