

Spokesperson:

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Chief Finance Officer

D-Link Reports 4Q 07 Pro Forma Consolidated Financials

- Fourth quarter 2007 net revenue was NT\$8.886bln, down 1.3% quarter-over-quarter.
- Fourth quarter 2007 gross margin was 32.6% compared to 35.0% in 3Q07.
- Fourth quarter 2007 operating margin was 4.8% compared to 7.6% in 3Q07.
- Fourth quarter 2007 tax rate was 18.6% of PBT, compared to 16.2% in 3Q07.
- Fourth quarter 2007 net income was NT\$610mln, down by 23.9% from NT\$801mln in 3Q07.
- Fourth quarter 2007 EPS, per year-end capital of NT\$547.1mln, was NT\$1.11, down by 23.9% from NT\$1.46 per share in 3Q07.
- All of the figures are pro forma.

Taipei, Taiwan, February 21, 2008 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announces its global pro forma consolidated financial results for the fourth quarter and the whole year of 2007.

For the full year of 2007, pro forma net revenue totaled NT\$33.231bln, an 11.2% increase over FY 2006. Gross margin rose to 34.3% as compared to 32.9% of FY 2006. Operating margin made a slight decline to 6.9%, as compared to 7.6% of FY 2006. Net margin increased to 10.0%, displaying growth compared to the 8.4% from the previous year, due primarily to capital gains from the disposal of Alpha shares and a major tax write-back plus one-time tax credit.

For the fourth quarter of 2007, D-Link posted net revenue of NT\$8.886bln, marginally down 1.3% over 3Q07, or up by 8.0% compared to its year-ago figure. Due to relatively higher discounts and rebates from special promotions launched in Europe, gross margin dropped to 32.6% in 4Q07 from 35.0% in 3Q07, compared to 34.5% in the year-ago comparable quarter. Operating expenses of 27.8% of net revenue were slightly above the 27.4% from the previous quarter, or compared to 23.2% in 4Q06 due, a result of increased spending on research and development for future growth. Operating profit margin shrank to 4.8% from 7.6% in 3Q07, or 11.3% in 4Q06 primarily due to gross margin erosion.

In regards to the non-operating side, gains consisted of NT\$231mln from long-term investment profit under equity method, NT\$20mln on capital gain, NT\$ 90mln from currency gain, and NT\$17mln by way of financial/other incomes. The gains were offset by NT\$62mln of provisional inventory loss, leaving NT\$296mln of non-op income in 4Q07.

The profit before tax amounted to NT\$721mln. The pre-tax profit was enhanced by one-time reversal of NT\$23mln minority interests and counterbalanced by NT\$134mln in tax expenses, leaving consolidated net income of NT\$610mln in the bottom line of the fourth quarter, or an EPS of NT\$0.92 based on the annual weighted-average capital of NT\$6,636mln or NT\$1.11 based on last year-end capital of NT\$5,471mln. The tax rate applied to 4Q07 was 18.6%, relatively higher than 17.1% in 3Q07, due mainly to higher international taxes charged.

All financial metrics of D-Link's balance sheet of the December quarter remained healthy. D-Link held NT\$4,615mln in cash and NT\$1,064mln in short term investment as of the end of last December. The cash position rose by \$191mln due to cash inflow from operating earnings and having temporarily less working capital. Due to relatively soft sales at the end of December 2007, account receivables decreased to NT\$5.9bln from NT\$6.6bln. Year-end inventory level descended to NT\$6.6bln from NT\$7.2bln, or down by 8% compared to the September quarter. Account Payables dropped NT\$6.6bln from 7.6bln in the September quarter end. Stockholders' equity decreased by 7.4% compared to the September quarter figure mainly as a result of 20% capital reduction, which was legally effective starting November 8, 2007. Regarding financial ratios of 4Q operation, days A/R was shortened from 67 days in the Sep quarter to 61 days in the December quarter, reflecting the low sales in last December. On a QoQ basis, Days Inventory was shortened from 112 days to 101 days, a result of inventory digestion in the December quarter. Cash cycle was 62 days, which was extended by a day, compared to its previous quarter's counterpart of 61 days. The current ratio and debt/equity ratio slightly increased due primarily to 20% capital reduction. Annualized ROE of 22% stayed well above the corporate par of 20%. Overall, D-Link financial standings kept a strong and stable positioning in both profitability and liquidity.

To break down 2007 fourth quarter revenue by regions, D-Link's global operation cast 22% in North America, 28% in Europe, and 50% from Emerging markets and Asia Pacific of consolidated sales. Among the regions, North America's sales were down 8.1%, or down 10.5% compared to the figure in the year-ago comparable quarter, Europe made a slight drop of 3.9% QoQ, or down 5.4% YoY, owing to higher discounts and rebates during the 2007 Christmas shopping season, and Emerging markets & Asia Pac's remained steadily up by 3.6% QoQ or up 30.1% YoY. In the fourth quarter of 2007, D-Link's geographic revenue

remained well diversified as a global player in the market.

When broken down by product categories, WLAN products remained the most popular item, accounting for 41% of 4Q07 consolidated revenue, followed by Switch products at 25%, Broadband at 19%, Digital Home 11%, NIC and Others at 4%. Overall, product revenue displayed growth on both a QoQ and YoY basis with WLAN up 1.9% QoQ and 14.2% YoY, and Digital home increased at 4.8% QoQ and 4.3% YoY. Although Switch and Broadband went down 3.2% and 6.7% on a QoQ basis, they remained positive 5.2% and 1.6% YoY, respectively.

According to In-Stat 3Q 2007 statistics, in unit terms, D-Link remained the global connectivity leader in SMB/SOHO/Consumer segments, commanding 24.4% of global market shares, up 0.6% from its previous quarter's 23.8%, ahead of Linksys' 18.5% and Netgear's 17.0%, respectively, giving D-Link a solid leading position in global SMB/SOHO/Consumer networking connectivity.

Ken Kao, Chairman & CEO of D-Link noted, "After fully deconsolidating Alpha's ODM/OEM financials, D-Link continued to achieve the annual revenue milestone of US\$1bln. Although consumer expenditure in North America remained slow in 2007, we reorganized our retail & SMB channels to promote more wireless 11n & switch products in order to cope with toughness. In Europe, we walked away from low margin ADSL projects and turned ourselves into a value player by engaging more switching, wireless 11n, and IAD(triple play) business. In the lucrative emerging markets, we sustained gaining markets shares from our competitors, especially in switching products." Mr. Kao commented, "For 2008's industry outlook, Telcos/ISPs demand for networking infrastructure remains healthy. As for Enterprise sector, corporate spending seems to soften. Regarding consumer expenditure, it seems to be stagnant, especially in developed countries. In regards to wireless technology, although 11n is gradually crossing over 11g, WiMax's future remains to be seen. Overall, networking industry is projected to grow at a stable pace in 2008."

Mr. Kao said, "Regarding D-Link 2008 growth drivers, we are ready to launch a series of new models on both SMB products such as Green Ethernet Switches, Metro Ethernet Switches, among others such as consumer products, i.e. 11n enabling IP Cameras & NAS, and D-Link 2.0 enabling IP telephony & IP cameras. In terms of regional strategy, we will further promote our SMB products by providing total solution in a cost-effective way in North America and Europe. For emerging markets and Asia Pacific where we have comprehensive technical and logistic support and channel partnerships and business relations, we will continue expanding to far exceed our competitors." Mr. Kao added, "Owing to normal seasonality, we expect 1Q08 revenue to be a single digit down, presenting the similar sales

pattern as the past two years. Operating margin in 1Q08 is projected to ramp up to the neighborhood of 6.0%. Our view that the first quarter of 2008 will go through a normal seasonal sales pattern remains unaffected.”

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 in-depth 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 headquarter is located 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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