



Spokesperson:

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Chief Finance Officer

D-Link Reports 1Q 06 Pro Forma Consolidated Financials

- First quarter 2006 net revenue was NT\$ 9.543bln, up 11.5% year-over-year.
- First quarter 2006 gross margin rose to 32.6% from 31.3% in 1Q/05.
- First quarter 2006 operating margin was 7.7%, virtually at par with 1Q/05's figure.
- First quarter 2006 pre-tax profit was NT\$ 814mln or NT\$ 1.36 per share, as compared to NT\$ 578mln or NT\$ 0.97 per share in 1Q/05.
- First quarter 2006 tax rate was 14.9% down from 30.6% of pre-tax profit in 4Q/05.
- First quarter 2006 net income was NT\$ 583mln, as compared to NT\$ 349mln in 4Q/05.
- First quarter 2006 diluted EPS was NT\$ 0.98, compared to NT\$ 0.58 in 4Q/05.

Taipei, Taiwan, April 28, 2006 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announces its pro forma consolidated financial results for the first quarter of 2006.

For FY2005, audited revenue totaled NT\$ 36.381bln, a 13% increase over the full year 2004 net revenue of NT\$ 32.245bln. Audited gross margin was 31%, as compared to 34% for FY2004. Audited operating margin was 7%, as compared to 8% in FY2004. Audited net margin was 4%, as compared to 8% for FY2004.

For the first quarter of 2006, D-Link posted net revenue of NT\$9.543bln, up by 11.5% compared to year-ago figure, but down by 4.4% from the previous quarter. On year-over-year basis, Asia Pacific & Emerging Markets have grown around 34% due to strong demands of Switches, and Broadband products. D-Link slightly missed its 4Q sales guidance but in terms of profitability far exceeded its expectation.

Owing to product mix shift toward more GigE and Intelligent Switches, gross margin was buoyed up to 32.6% in 1Q/06 from 31.3% in the year-ago comparable quarter, or up from 32.2% in 4Q/05. Operating margin was 7.7% in 1Q/06, virtually at par with 7.8% of the year ago figure, or compared to 8.0% in the fourth quarter of 2005. Operating expenses was 24.9% of net revenue, at virtually par with 24.2% of the prior quarter, or compared to

23.5% in 1Q/05. The first quarter is often the relatively slower season compared to the fourth quarter, but D-Link's 1Q/06 operating profits of NT\$ 737mln remained the high season's level.

On the non-op side, through equity method recognition, D-Link booked NT\$62mln long-term investment gains from subsidiaries' profitable operations, and NT\$61mln FX gain but accrued NT\$84mln provisional inventory loss. The FX gain was mainly attributed to sound FX management. To sum up, D-Link enjoyed NT\$77mln non-operating profit in 1Q/06.

The profit before tax amounted to NT\$814mln, equivalent to NT\$1.36 per share. The pre-tax profit was knocked out by NT\$121mln tax expenses and NT\$110mln minority interests, leaving net income of NT\$583mln in the bottom line of the first quarter, or EPS of NT\$0.98. Tax expense has remarkably dropped to around 14.9% of PBT, which was made possible by effective execution of global tax strategy.

D-Link's balance sheet remained sound as of March 31, 2006. NT\$4,665mln Cash and NT\$54mln S-T investment totaling NT\$4,719mln, increased by NT\$1,584mln from NT\$3,135mln at the end of December 2005, primarily owing to Alpha's cash injection of NT\$1,200mln from the issuance of 5-yr convertible bonds. At the end of March, Account Receivables slightly increased to NT\$7,019mln from NT\$6,840mln. Inventory went up marginally to NT\$7.28bln from NT\$7.14bln as of December 31, 2005, mainly because Alpha stocked up more materials for growth in the following quarter. QoQ Days Inventory was, therefore, lengthened from 96 days to 100 days. Cash was cycled at 87 days, slightly up from 82 days as of December 31, 2005. Overall, D-Link maintained healthy and liquid financially.

To break down 1Q/06 revenue by regions, D-Link's global operation casted 27%, 25%, and 48% of consolidated sales on North America, Europe, and APAC & Emerging markets respectively. For the Group, North America's sales dropped by 6% YoY or down 17% QoQ, due primarily to Alpha's North America sales decline, Europe's remained flat YoY but down 15% QoQ, and APAC & Emerging market was significantly up by 34% YoY or up 12% QoQ. In 1Q/06, D-Link's revenue remained well diversified geographically. D-Link remained a true global player in a well-balanced manner.

By product categories, WLAN remained to rank the No.1 item, accounting for 32% of 1Q/06 consolidated revenue, followed by Broadband 26%, Switch 25%, and Digital Home 11%. Switch grew 33% on year-over-year basis or up 4% QoQ, WLAN grew 8% YoY but down 13% on QoQ, Broadband remained flat YoY but down 8% QoQ, and Digital home increased

11% YoY and up 5% QoQ.

According to the in-Stat 2005 report, in unit terms, D-Link remained at the helm as the No.1 global SMB/SOHO LAN Switch leader, commanding 21% of global market shares, and was ahead of Linksys and Netgear by more than 6%. D-Link kept its solid position in global SMB/SOHO/Consumer networking connectivity.

As to product updates, D-Link debuted 20 new models during 1Q/06, inclusive of IP telephony, Network Security, and 802.11n draft products. Highlighting on D-Link's Flip WiFi phone named DPH-540, this powerful device allows user in a PC free environment to make calls from homes, offices or hotels where WiFi is present. Although the major target markets are consumers and small business, it stands good chance for use by certain larger firms.

Ken Kao, Chairman & CEO of D-Link noted "In 1Q/06, D-Link's profitability exceeded our expectation though revenue was slightly below our guidance, which evidenced D-Link improvement on fundamentals and management efficiency. Due to seasonality, we anticipate 2Q/06 revenue to remain flat or low single digit down sequentially, repeating the same sales pattern as the past several years. Gross margin in 2Q/06 is projected to be steady at 32%." Mr. Kao added, "By regions, we project SMB demands would be relatively stronger in North America and Europe in 2Q/06. The Emerging market and Asia Pacific will remain to lead the growth amongst all of the regions. We are prepared to offer and determined to deliver end-to-end solutions in line with various SMB demands for switches, security, and storage products worldwide. For the telecoms/ISP segment, deployment of VoIP products will keep expanding. Many VoIP projects are awarded or pipelined. We expect a rosy growth for VoIPs."

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 more than a million square feet of manufacturing capacity and millions of Ethernet adapters, hubs and switch ports, manufactured and shipped, 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, Sinhu3rd 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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