

**D-Link**<sup>®</sup>  
Building Networks for People



# 1Q 2007 Pro Forma Earnings Release

April 26, 2007, Taipei

## Safe Harbor Statement

All numbers are consolidated. Except for statements in respect of historical matters, the statements contained in this release are "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of D-Link Corporation to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements.

## Agenda

- **1Q/07 Financial Review & Corporate Updates** A.P. Chen
- **Q&A** A.P. Chen & J.C. Liao

All numbers are consolidated, and 1Q/07 numbers are pro forma, except otherwise specified.

# 1Q/07 Pro Forma Financial Review & Corporate Updates

## 1Q/07 QoQ Comparison of Income Statement

Unit: NT\$ million	1Q/07		4Q/06		QoQ % Change
	AMT	%	AMT	%	
Net Sales	10,456	100.0	11,311	100.0	(7.6)
Cost of Goods Sold	6,848	65.5	7,396	65.4	(7.4)
Gross Profit	3,608	34.5	3,915	34.6	(7.8)
Operating Expenses	2,655	25.4	2,401	21.2	10.6
Operating Income	953	9.1	1,514	13.4	(37.1)
Total Non-Op. Inc. (Loss)	466	4.5	(172)	(1.5)	370.9
Income Before Tax	1,419	13.6	1,342	11.9	5.7
Tax Expenses	(123)	(1.2)	(307)	(2.7)	(59.9)
Net Income	1,296	12.4	1,035	9.2	25.2
Minority Interest	(149)	(1.4)	(213)	(1.9)	(30.0)
Consolidated Income	1,147	11.0	822	7.3	39.5
EPS (NT\$)	1.73		1.24		39.5

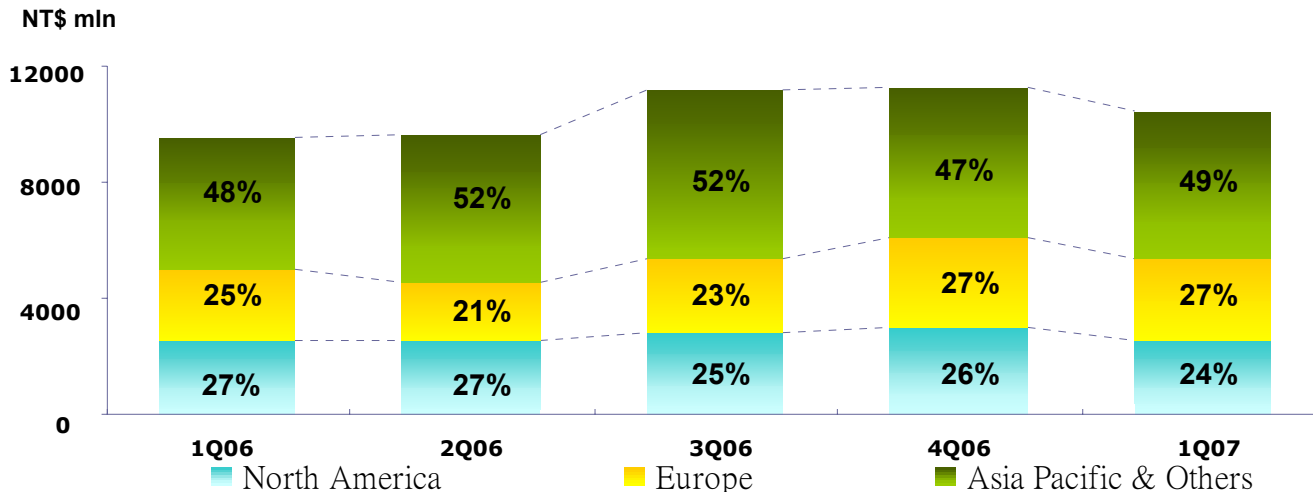
\* Calculated by 1Q07 weighted average of 663mln shares.

\* The numbers are pro forma

# Quarterly Revenue by Regions Consolidated

**1Q/07 revenue QoQ comparison:**

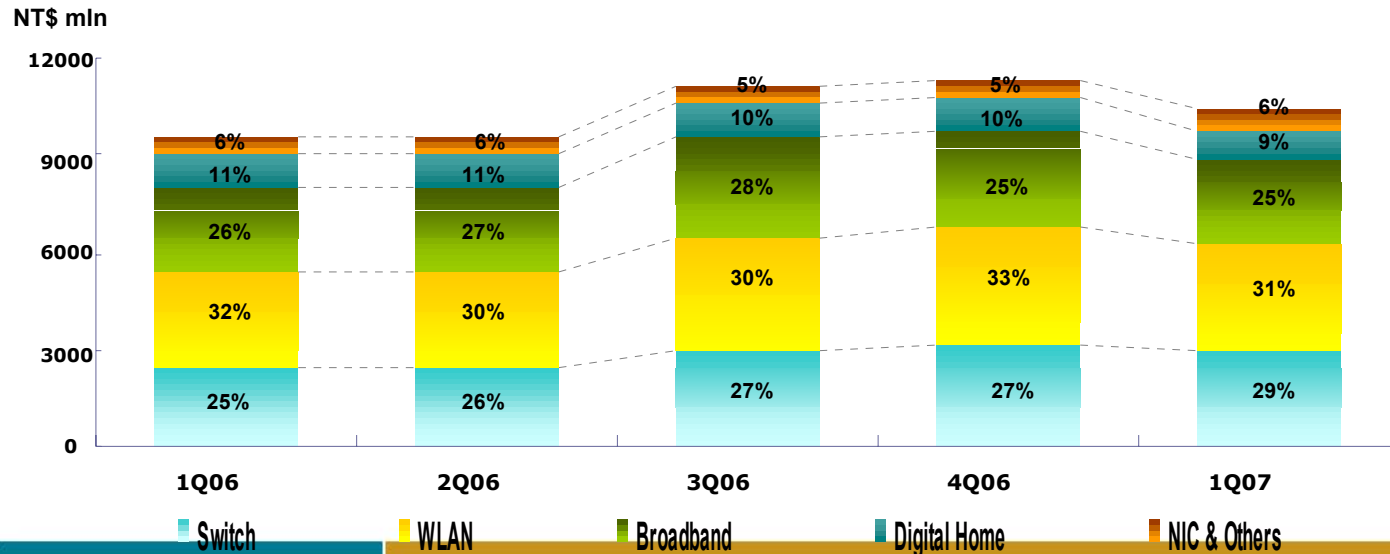
- N.A. dropped 15%
- Europe decreased 10%
- AsiaPac & Other emerging markets down 2%
- In NT\$ terms, WW 1Q revenue declined 8% seasonally



# Quarterly Revenue by Products Consolidated

**1Q/07 revenue QoQ comparison:**

- Switch down 2%
- WLAN decreased 14%
- Broadband dropped 8%
- Digital Home declined 16%



## 1Q/07 QoQ Comparison of Income Statement

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	AMT	%	AMT	%	
Net Sales	10,456	100.0	11,311	100.0	(7.6)
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\* Calculated by 1Q07 weighted average of 663mln shares.

\* The numbers are pro forma



## 1Q/07 QoQ Comparison of Non-op Income/Loss

Unit : NT\$ mln	1Q07	4Q06	QoQ % Change
<b>Investment Income</b>	485	(12)	414.2
<b>Sub./Aff.</b>	30	(14)	314.3
<b>Capital Gain</b>	455	2	226.5
<b>FX Gain/(Loss)</b>	116	4	280.0
<b>Inventory Loss</b>	(142)	(178)	(20.2)
<b>Fin. Income/(Exp.) &amp; Oth.</b>	7	14	(50.0)
<b>Total</b>	466	(172)	(370.9)

## 1Q/07 QoQ Comparison of Income Statement

Unit: NT\$ million	1Q/07		4Q/06		QoQ % Change
	AMT	%	AMT	%	
Net Sales	10,456	100.0	11,311	100.0	(7.6)
Cost of Goods Sold	6,848	65.5	7,396	65.4	(7.4)
Gross Profit	3,608	34.5	3,915	34.6	(7.8)
Operating Expenses	2,655	25.4	2,401	21.2	10.6
Operating Income	953	9.1	1,514	13.4	(37.1)
Total Non-Op. Inc. (Loss)	466	4.5	(172)	(1.5)	370.9
Income Before Tax	1,419	13.6	1,342	11.9	5.7
Tax Expenses	(123)	(1.2)	(307)	(2.7)	(59.9)
Net Income	1,296	12.4	1,035	9.2	25.2
Minority Interest	(149)	(1.4)	(213)	(1.9)	(30.0)
Consolidated Income	1,147	11.0	822	7.3	39.5
EPS (NT\$)	1.73		1.24		39.5

\* Calculated by 1Q07 weighted average of 663mln shares.

\* The numbers are pro forma

## 1Q/07 YoY Comparison of Income Statement

Unit: NT\$ million	1Q/07		1Q/06		YoY % Change
	AMT	%	AMT	%	
Net Sales	<b>10,456</b>	100.0	<b>9,543</b>	100.0	9.6
Cost of Goods Sold	<b>6,848</b>	65.5	<b>6,431</b>	67.4	6.5
Gross Profit	<b>3,608</b>	34.5	<b>3,112</b>	32.6	15.9
Operating Expenses	<b>2,655</b>	25.4	<b>2,375</b>	24.9	11.8
Operating Income	<b>953</b>	9.1	<b>737</b>	7.7	29.3
Total Non-Op. Inc. (Loss)	<b>466</b>	4.5	<b>83</b>	0.9	461.4
Income Before Tax	<b>1,419</b>	13.6	<b>820</b>	8.6	73.1
Tax Expenses	<b>(123)</b>	(1.2)	<b>(121)</b>	1.3	2.2
Net Income	<b>1,296</b>	12.4	<b>699</b>	7.3	85.4
Minority Interest	<b>(149)</b>	(1.4)	<b>(110)</b>	(1.2)	34.7
Consolidated Income	<b>1,147</b>	11.0	<b>589</b>	6.2	94.9
EPS (NT\$)	<b>1.73</b>		<b>0.89</b>		94.9

\* Calculated by 4Q06 weighted average of 663mln shares.

\* The numbers are pro forma

## 03/31/2007 Consolidated Balance Sheet QoQ Comparison

Unit: NT\$ mln	03/31/07		12/31/06		QoQ %
	AMT	%	AMT	%	Change
Cash	<b>6,949</b>	21	<b>6,125</b>	20	13.5
S-T Investment	<b>1,179</b>	4	<b>845</b>	3	39.5
Account Receivable	<b>8,295</b>	25	<b>8,306</b>	27	(0.1)
Inventory	<b>8,046</b>	24	<b>7,250</b>	24	10.9
Long-term Investments	<b>2,943</b>	9	<b>2,654</b>	9	10.9
Total Assets	<b>32,896</b>	100	<b>30,643</b>	100	7.4
Accounts Payable	<b>6,653</b>	20	<b>6,385</b>	21	4.2
Current Liabilities	<b>11,120</b>	34	<b>10,763</b>	35	3.3
Long-term Loans	<b>1,195</b>	4	<b>1,199</b>	4	(0.3)
Common Stock	<b>6,634</b>	20	<b>6,634</b>	22	(0.0)
Stockholders' Equity	<b>20,034</b>	61	<b>17,934</b>	59	11.7

## Consolidated Key Financial Ratios– Liquidity/Leverage

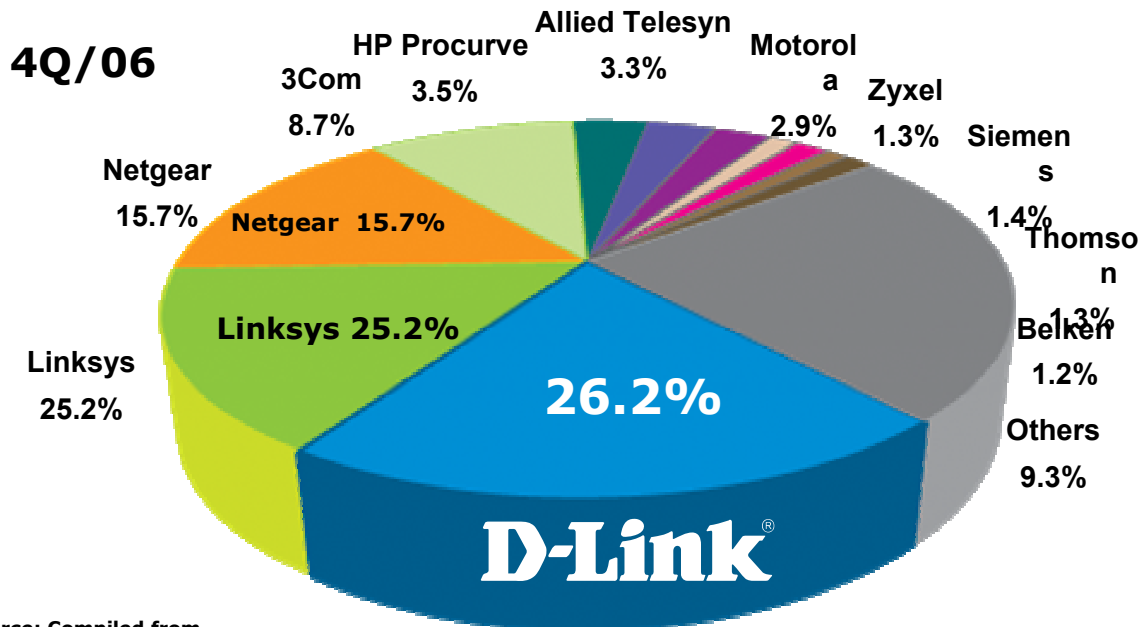
Unit: % , days	03/31/07	12/31/06	9/30/06	6/30/06	3/31/06
Days A/R	72 <sup>*</sup>	67 <sup>*</sup>	75 <sup>*</sup>	70 <sup>*</sup>	67 <sup>*</sup>
Days Inventory	102 <sup>*</sup>	91 <sup>*</sup>	96 <sup>*</sup>	98 <sup>*</sup>	100 <sup>*</sup>
Days A/P	87 <sup>*</sup>	76 <sup>*</sup>	83 <sup>*</sup>	79 <sup>*</sup>	79 <sup>*</sup>
Cash Cycle	87	82	88	89	87
Current Ratio	2.29	2.19	1.97	1.86	2.05
Debt/Equity Ratio	0.80	0.86	1.03	1.10	0.89
Adjusted Debt/ Equity Ratio	0.29 <sup>**</sup>	0.39 <sup>**</sup>	0.69 <sup>**</sup>	0.61 <sup>**</sup>	0.53 <sup>**</sup>
ROE	29 <sup>*</sup>	20 <sup>*</sup>	17 <sup>*</sup>	16 <sup>*</sup>	18 <sup>*</sup>

\* Annualized

\*\*Adjust for Cash & S-T investment

## #1 in SOHO/SMB Market

- 4Q/06 D-Link Market share rose to 26.2% from 24.3% in 3Q/06



Source: Compiled from  
In-Stat Q4 2006 Wireless LAN Equipment Market Share Report  
In-Stat Q4 2006 Ethernet LAN Switch Market Share Report  
In-Stat Q4 2006 Broadband Equipment Market Share Report

## Corporate Updates

- **2006 Dividend Distribution Plan**
  - **NT\$2.3/share for cash dividend**
  - **NT\$0.2/share for stock dividend**
  
- **20% Capital Deduction**
  - **Return NT\$2/share on ex-dividend and ex-bonus basis**
  - **Post-deduction capital will be NT\$5,470,764,560.-**
  
- **Administration**
  - **D-Link holdings on Alpha already below 50%**
  - **Deconsolidation of Alpha's statements starting Apr-07**
  - **Better transparency as operation results directly related to D-Link brand business**

## 2Q07 Outlook

### Brand Only

- **2Q Guidance**
  - Revenue flat sequentially
  - Gross margin in a range of 34%-35%
  
- **Regional Updates**
  - U.S.: gloomy retail, shift to SMB products/channels
  - Europe: YoY modest growth
  - Emerging markets: firm demand in Russia and S. America
  
- **Product Drivers**
  - Managed switches growing steadily
  - Pre-N products ramping up from N.A. into Europe
  - IP Camera/Storage gaining momentum



# Q & A

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