

Spokesperson:

A.P. Chen
Chief Finance Officer

D-Link Reports 3Q 06 Pro Forma Consolidated Financials

- Third quarter 2006 net revenue was NT\$11.210bln, up 16.4% quarter-over-quarter.
- Third quarter 2006 gross margin was 31.0% compared to 30.5% in 2Q06.
- Third quarter 2006 operating margin was 9.1% compared to 5.7% in 2Q06.
- Third quarter 2006 tax rate was 19.6% of PBT, down from 23.6% in 2Q06.
- Third quarter 2006 net income was NT\$ 714mln, up by 79.4% from NT\$398mln in 2Q06.
- Third quarter 2006 EPS, on post-dividend-distribution fully diluted basis, was NT\$1.08, up by 79.4% from NT\$0.60 per share in 2Q06.
- All of the figures of 3Q06 are pro forma but the rest of numbers are audited.

Taipei, Taiwan, October 31, 2006 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announces its global pro forma consolidated financial results for the third quarter of 2006.

For the third quarter of 2006, D-Link beat its sequential revenue guidance by posting net revenue of NT\$11.210bln, or substantially up by 16.4% over 2Q06, or up by 13.9% compared to the year-ago figure. Not only did D-Link accomplish the tremendous top-line growth, but also remarkably achieved was the 79.4% QoQ growth of profitability in 3Q06. D-Link, delivering another record high quarterly sales, has successfully crossed over the NT\$10bln quarterly revenue milestone of the industry.

Owing to better product mix towards more upscale switches sales plus Alpha's improved margin for its ODM/OEM sales to third parties, consolidated gross margin rose to 31.0% in 3Q06 from 30.5% in 2Q06, compared to 30.8% in the year-ago comparable quarter. Operating expenses of 21.9% of net revenue were substantially below the 24.7% of the previous quarter, or compared to 22.7% in 3Q05, due mainly to less marketing expense for the retail business, especially in the saturating North America market.

On the non-op side, the major gains included NT\$15mln equity method recognition from

long-term investment, NT\$34mln FX gain mainly due to US\$ appreciation against NT\$, and NT\$19mln of financial income. The gains were offset by NT\$40mln provisional inventory loss. This relatively lower provisional inventory loss was primarily owing to the reversal of the non-RoHS products provision accrued in the previous quarter. To sum up, D-Link enjoyed NT\$36mln non-operating profit in 3Q06.

The profit before tax amounted to NT\$1,061mln, or equivalent to NT\$1.60 per share by adopting NT\$6,634mln post-distribution diluted capital. The pre-tax profit was knocked out by NT\$208mln tax expenses and NT\$140mln minority interests, leaving consolidated net income of NT\$714mln in the bottom line of the third quarter, or diluted EPS of NT\$1.08. The tax rate applied to 3Q06 was 19.6%, generally consistent to the tax rate guidance, and in line with management expectation (15%-20%).

All financial metrics of D-Link's balance sheet remained healthy as of September 30, 2006. NT\$3,686mln Cash and NT\$937mln short-term money market investment totaling NT\$4,623mln, decreased by NT\$1,504mln from NT\$6,127mln at the June quarter, primarily due to NT\$716mln of D-Link's cash dividend distribution, and NT\$450mln of Alpha's cash dividend distribution plus NT\$925mln of Alpha's clearance of short term hedging loans. The September quarter Account Receivables increased to NT\$9,644mln from NT\$7,718mln in the previous quarter owing mainly to climbing record high monthly sales in August and September. Therefore, Days A/R was slightly lengthened to 75 days from 70 days at the end of June 2006. Inventory went up slightly to NT\$7.887bln from NT\$7.191bln as of June 30, 2006 due to Alpha's stocking up for the continued high seasonal sales in the fourth quarter. QoQ Days Inventory was slightly shortened to 96 days from 98 days as of the end of June, 2006. Cash was cycled at 88 days, virtually at par with 89 days as of June 30, 2006. The current ratio and debt/equity ratio were slightly improved in September quarter. In short, D-Link financial standing maintained sound and liquid as usual.

To break down 3Q06 revenue by regions, D-Link's global operation cast 25%, 23%, and 52% of consolidated sales on North America, Europe, and APAC & Emerging markets respectively. For the Group, North America's sales was up 8.1% sequentially or down 9.0% compared to the figure in the year-ago comparable quarter, due primarily to relatively soft consumer demands in North America, Europe's went up significantly 29.3% QoQ, or up 9.3% YoY, owing to relatively stronger seasonality from back-to-school purchase and completion of transition of RoHS, a new tighter environmental requirements in nationals for Europe. APac & Emerging markets', posting strong growth for 9 consecutive quarters, substantially rose by 32.0% YoY or up 15.1% QoQ, and for consecutive two quarters, superseded Europe plus N.A., and remained the most important revenue contributor. In 3Q06, D-Link's revenue geographic diversification remained well balanced. D-Link's sales

maintained its true global position.

By product categories, WLAN remained to rank the No.1 item, accounting for 30% of 3Q/06 consolidated revenue, followed by Broadband 28%, Switch 27%, Digital Home 10%, and NIC & Others 5%. Switch grew 23.0% QoQ or up 18.2% on year-over-year basis, WLAN grew 14.7% QoQ or up 10.2% YoY, Broadband rose by 18.4% QoQ or up 13.9% YoY, and Digital home increased 42.3% YoY or up 11.6% QoQ.

According to the in-Stat 2Q 2006 statistics, in unit terms, D-Link remained at the helm as the global connectivity leader in SMB/SOHO/Consumer segments, commanding 23.8% of global market shares, ahead of Linksys and Netgear whose shares were 20.4% and 14.8% respectively. D-Link kept its solid leading position in global SMB/SOHO/Consumer networking connectivity.

As to product updates, D-Link rolled out 22 new models during 3Q/06. Highlighting on D-Link's Day & Night, Audio & Video IP Cameras, the IP Camera product line combines the functionality of a video surveillance system with the convenience of the Internet. Once connected, users can use the IP address built inside the camera to gain access to view or record live streaming audio & video. We anticipate the IP Camera family will be future growth driver, not only for consumer sector, but also for SMB sector.

Ken Kao, Chairman & CEO of D-Link noted "D-Link had a satisfactory September quarter results, not only for revenue and profit both beating our guidance to great extend, but for revenue milestone achievement, continued shift to switch as solution products and solid growth momentum in the lucrative emerging markets. With all these, we are particularly glad to see the bottom line growth, namely the value has continued to outperform the volume growth in the top line along the time line. Going forward, due to the relatively higher basis of 3Q06's sales, we anticipate 4Q06 revenue to be flat, maintaining the similar sales pattern as the past several years. Gross margin in 4Q06 is projected to maintain in the neighborhood of 31%." Mr. Kao added, "By regions, we project SMB and consumer demands will be slightly better in North America in 4Q06, Europe will remain seasonally strong in 4Q06, and the Emerging markets and Asia Pacific will maintain its upper hand position over all other regions. Our view of having a continued hot season sales momentum within the fourth quarter of 2006 remains unchanged."

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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