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## **D-Link Reports 2Q07 Pro Forma Brand Consolidated Financials**

- Second quarter 2007 brand net revenue was NT\$7.833bln, up 15.2% YoY.
- Second quarter 2007 brand gross margin was 34.6% compared to 31.3% in 2Q06.
- Second quarter 2007 operating margin was 7.6% compared to 4.9% in 2Q06.
- Second quarter 2007 tax income was NT\$105mln, compared to NT\$92mln of tax expense in 2Q06.
- Second quarter 2007 net income was NT\$771mln, up by 93.8% from NT\$398mln in 2Q06.
- Second quarter 2007 EPS, on fully diluted capital of NT\$6,838mln, was NT\$1.13, up by 93.8% from NT\$0.58 per share in 2Q06.
- All of the figures are pro forma.
- Starting from April 2007, all of the financials have excluded OEM/ODM figures of Alpha Networks.
- Historic brand consolidated IS/BS figures for 05 & 06 are available in our IR website.

**Taipei, Taiwan, August 2, 2007** - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) announces today its global pro forma brand consolidated financial results for the second quarter and first half of 2007.

The first half of FY2007 pro forma brand revenue of NT\$15.345bln marked a 11.9% growth over the first half of FY2006 net revenue of NT\$13.717bln. Gross margin was 34.8%, significantly up from 32.3% for the same period of FY2006. Operating margin was 7.8%, also substantially up from 5.6% in 1H06. Net margin of 12.6% was a considerable improvement from 7.2% of 1H06, a result of successful implementation of products' and regional focus shifting.

For the second quarter of 2007, D-Link posted brand net revenue of NT\$7.833bln, up by 4.3% over 1Q07, or up by 15.2% compared to the year-ago figure. Owing to deferral of switches shipments in Russia, brand consolidated gross margin slightly decreased to 34.6% in 2Q07, compared to 34.9% in 1Q07, or up by 3.3% from 31.3% in the year-ago

comparable quarter. What worth mentioning is that 2Q07's gross margin was the consecutive second quarter standing above 34.0% which maintains the highest level of gross margin within these 21 years for the company, apart from one time adjustment on gross margin in 4Q06. Operating expenses of 27.0% of net revenue were on par with the figure of the previous quarter but slightly up from 26.4% in 2Q06. Operating profit margin was 7.6%, compared to 7.9% in 1Q07, or 4.9% in 2Q06.

The non-op sector ended up with a total gain of NT\$78M, consisting of NT\$34mln capital gain on Draytek's share disposal, NT\$114mln long term investment income via equity method from Alpha Networks, NT\$ 39mln of FX gain, and NT\$61mln of financial/other incomes. The gain was offset by NT\$170mln of provisional inventory loss. Inventory loss amounted to NT\$170mln, which was a substantial increase from NT\$121mln in 1Q07 due to an aggressive provisional write-down on 11-g wireless inventory in anticipation of further price erosion in light of quick phase-in of 11-n based products.

D-Link registered pre-tax income of NT\$676M, down from NT\$1,215m, or marginally down by 44.4% QoQ due to the big difference on the disposal gain. The profit was enhanced by tax benefit of NT\$105M which was attributable to a major tax write-back of 76M plus one-time tax credit of 58M. The write-back of tax was prompted by reversals of both domestic and international taxes reserved for 2006. Net income was resulted at NT\$771M at the bottom line after a NT\$10mln deduction for minority interests. The net income was translated into EPS of NT\$1.13/share, compared to the quarter-ago figure of NT\$1.69/share, both based on a fully diluted capital of NT\$6,838mln.

All financial metrics of D-Link's brand balance sheet remained healthy as of June 30, 2007. NT\$4,585mln Cash and NT\$1,421mln short-term money market investment totaling NT\$6,006mln, increased by NT\$887mln from NT\$5,119mln at the March quarter of 2007, primarily due to cash inflow from operation activity. The June quarter Account Receivable of NT\$5,977mln was virtually on par with NT\$5,625mln in the previous quarter. Accounts Payable of the June quarter was NT\$6,294mln up by NT\$1,240mln, compared to NT\$5,054mln as of March 31, 2007, primarily due to accrual of cash dividend payable. Days A/R was slightly shortened to 68 days from 69 days at the end of March 2006. Inventory went up to NT\$5,987mln from NT\$5,625mln as of March 31, 2007 due to stock-up in preparation for back-to-school demands in the following quarter. Therefore QoQ Days Inventory was slightly lengthened to 103 days from 102 days as of the end of March 2007. Cash was cycled at 64 days, compared to 71 days as of March 31, 2007. The current ratio and debt/equity ratio remained sound in the June quarter. In a nutshell, D-Link financial standing remained healthy and liquid.

To break down 2Q07 brand revenue by regions, D-Link's global operation cast 22.0%, 28.4%, and 49.6% of consolidated sales on North America, Europe, and APAC & Emerging markets respectively. For the brand business, North America's sales were down 1.8% sequentially or down 11.9% compared to the figure in the year-ago comparable quarter. Europe's sales went up significantly by 34.2% YoY, but seasonally down 6.5% QoQ, and APac & Emerging markets' revenue was substantially up by 21.9% YoY or up by 15.0% QoQ. In 2Q07, Southern and Central Europe, Latin America, and South East Asia delivered great growth momentum due to continuously firm demand for infrastructure development.

By product categories, WLAN remained as the No.1 sales item, accounting for 38.7% of 2Q07 brand consolidated revenue, followed by Switch 25.0%, Broadband 20.7%, Digital Home 11.5%, and NIC & Others 4.1%. Switch grew 18.5% YoY but slightly down 2.4% QoQ, WLAN jumped 18.2% YoY or up by 11.5% QoQ, Broadband rose by 17.4% YoY or up 2.8% QoQ, and Digital home increased 13.1% YoY or up 15.2% QoQ.

According to In-Stat 1Q 2007 statistics, in unit terms, D-Link remained at the helm as the global connectivity leader in SMB/SOHO/Consumer segments, commanding 21.9% of global market shares, ahead of Linksys' 18.3% and Netgear's 17.5% respective stakes. D-Link kept its solid leading position in global SMB/SOHO/Consumer networking connectivity.

Regarding 3Q07's outlook for D-Link brand business, we project revenue to grow substantially due to seasonality. Gross margin in 3Q07 is anticipated to inch up as a consequence of our continued emphasis on the quality of the growth by bringing value products to our customers in countries where we can better serve our customers than our US-based competitors. From a regional perspective, we anticipate the U.S to selectively maintain its position in retail and to pull more steam on its refocus on their small and mid-sized businesses which appear to be essential to the growth perspective of all network players. With regards to Europe, the back-to-school and back-from-summer vacation effects are expected to generate usual seasonal sales momentum among both consumers and small-medium businesses. Emerging including AsiaPac markets are expected to continue its steady and strong demands for both our switch and broadband products due to local economic expansion. Finally, for product drivers, we envision massive launch of our Pre-N products in the North America market, while IAD and triple-play products will continue its strong appeal to emerging market. IP cameras and storage devices will continue gaining momentum, as evidenced by accelerating sales in the June-qtr from our Digital Home category. In summary, we expect 3Q to incur seasonally strong revenue and oversee continued expansions.

**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](http://www.dlink.com.tw)

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