

Spokesperson:

A.P. Chen  
Chief Finance Officer

## **D-Link Reports 3Q10 Consolidated Financials**

- Third quarter 2010 net revenue was NT\$8.589bln, up 4.5% QoQ.
- Third quarter 2010 gross margin exclusive of inventory related gain was 32.1%, compared to 32.2% in 2Q10.
- Third quarter 2010 gross margin inclusive of inventory related gain was 31.0%, compared to 30.8% in 2Q10.
- Third quarter 2010 operating margin was 2.6%, compared to 1.7% in 2Q10.
- Third quarter 2010 tax expense was NT\$79mln, compared to tax expense of NT\$74mln in 2Q10.
- Third quarter 2010 net income was NT\$343mln, compared to net income of NT\$245mln in 2Q10.
- Third quarter 2010 EPS, per weighted-average capital of NT\$6.476bln, was NT\$0.53, compared to NT\$0.38 per share in 2Q10.
- All of the above figures are consolidated and 3Q10's net income is audited/reviewed.

**Taipei, Taiwan, October 26, 2010** - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announced its global unaudited consolidated financial results for the YT3Q and third quarter of 2010.

For the YT3Q of 2010, D-Link posted a net revenue of NT\$24.713bln, up by 11.5% compared to NT\$22.164bln for YT3Q09, primarily benefited from steady economic recovery and D-Link's further penetration in SME/SMB markets. The gross margin excluding inventory related gain/loss increased to 32.9%, up by 3.7% from 29.2% of YT3Q09, partly because of better product mix towards more switch sales. Gross margin including inventory provisional gain/loss was 31.8% up 2.0% from 29.8% in YT3Q09. Operating expenses of 29.2% of net revenue were down by 1.1% from 30.3% of the comparable period of 2009. The operating profit margin was 2.6%, a dramatic turnaround, compared to -0.5% in YT3Q09. Net margin was 3.4%, a significant improvement, compared to 0.7% in YT3Q09.

For the third quarter of 2010, D-Link posted a net revenue of NT\$8.589bln, up 4.5% over 2Q10, or up 3.1% compared to the year-ago figure. Due to seasonal promotion for

back-to-school, gross margin excluding inventory related gain/loss slightly dropped to 32.1% in 3Q10 from 32.2% in 2Q10, but up by 1.5% compared to 30.6% of the year-ago quarter. By applying Article number 10 of Taiwan's GAAP, gross margin including inventory provisional gain/loss was 31.0% in 3Q10, up by 0.2% from 30.8% in 2Q10, or compared to 30.9% of the comparable 2009 quarter. Operating expenses of 28.4% of net revenue was down by 0.7% from 29.1% in the previous quarter, or compared to 28.6% in 3Q09. Operating profit margin was 2.6%, up by 0.9% from 1.7% in 2Q10, or compared to 2.3% in 3Q09.

On the non-operating side, the income totaling NT\$206mln mainly consisted of NT\$96mln from long-term investment profit under equity method, NT\$64mln from FX gain, and NT\$46mln of financial/other incomes. Regarding the bottom line, the income before tax was NT\$426mln, which was offset by the tax expense of NT\$79mln and the minority interest of NT\$4mln, leaving the consolidated net income of NT\$343mln of the third quarter of 2010, or an EPS of NT\$0.53 based on the weighted average capital of NT\$6.476bln.

All financial metrics of D-Link's balance sheet of the September quarter remained healthy. D-Link held NT\$5.927bln in cash and NT\$447mln in money market funds, totaling NT\$6.374bln at the end of the September quarter. Cash position decreased by NT\$1.441bln compared to NT\$7.815bln as of the end of June's quarter, mainly due to more working capital of NT\$1.133bln needed for seasonal inventory buildup. Account Receivables slightly increased by 4.5% to NT\$6.231bln from NT\$5.965bln of June's quarter end. The September quarter inventory level went up to NT\$7.056bln from NT\$5.923bln of the end of the June quarter as a result of stock up for Thanksgiving and Christmas shopping. Account Payables decreased to NT\$7.451bln from NT\$7.543bln of June's quarter end. Regarding financial ratios of 3Q operation, Days A/R was 69 days at par with the figure of the June quarter end. On a QoQ basis, Days Inventory lengthened to 95 days from 89 days of the end of June quarter, due to more product pull-in in 3Q10. Cash cycle was lengthened to 57 days from 46 days of the previous quarter. The continuously sound current ratio and debt/equity ratios reflected financial strength and stability of the Company. Annualized ROE for the third quarter end of 2010 improve to 9% from 7% of June's quarter end. Overall, D-Link financial standings kept a strong position with great liquidity.

NT\$M	3Q10		2Q10		3Q09		QoQ	YoY
NA	1,635	19.0%	1,410	17.2%	1,508	18.1%	16.0%	8.4%
EU	1,990	23.2%	1,791	21.8%	2,174	26.1%	11.1%	-8.5%
Emg. & APac	4,964	57.8%	5,016	61.0%	4,652	55.8%	-1.0%	6.7%
<b>Total</b>	<b>8,589</b>	<b>100.0%</b>	<b>8,217</b>	<b>100.0%</b>	<b>8,334</b>	<b>100.0%</b>	<b>4.5%</b>	<b>3.1%</b>

To break down 3Q10's revenue by region, D-Link's global operation cast 19.0% in North America, 23.2% in Europe, and 57.8% from Emerging and Asia Pacific markets of consolidated sales. Among the regions, North America's sales were up 16.0% QoQ, or up 8.4% compared to the figure in the year-ago comparable quarter, Europe's increased by 11.1% QoQ because of relatively stronger end demands compared to its debt crisis period in 2Q10, but down 8.5% YoY, and Emerging and Asia Pacific markets slightly descended by 1.0% QoQ owing to higher sales base in 2Q10, but still up 6.7% YoY. In the third quarter of 2010, D-Link's global revenue remained well diversified geographically.

Regarding 3Q10's revenue by product categories, WLAN products remained the most popular item, accounting for 37.1% of 3Q10 consolidated revenue, followed by Switch products at 34.5%, Broadband at 18.8%, Digital Home at 7.2%, Adaptors and Others at 2.5%. Switch increased 8.9% QoQ or significantly up by 21.6% YoY, WLAN ascended 2.2% QoQ but down by 5.0% YoY, Broadband rose 3.9% QoQ but down by 6.6% YoY, and Digital Home substantially went up by 19.5% QoQ or up by 1.6% YoY.

For 4Q10 outlooks, D-Link anticipated the quarterly revenue will deliver sequential growth while maintaining the operating margin at the current level. Among major new products to make their debut in 4Q10 are switches, IP cameras and storage devices aiming at the developed countries where initial market acceptance seemed satisfactory. SME/SMB/Telcos projects will deliver sustainable growth by way of deploying various package solutions combining switch, security, storage, surveillance and after-service within emerging markets. In closing, we are confident that our operation proved to have bottomed out in 3Q10 and expects to maintain its momentum both financially and operation wise going forward.

**About D-Link**

D-Link is the global leader in total products shipped for consumer networking connectivity according to reports published by the In-Stat Research Group. D-Link is the worldwide leader and award winning designer, developer, and planner 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; [http:// www.dlink.com.tw](http://www.dlink.com.tw)

{ Copyright © 2008 D-Link Corporation, All Rights Reserved. }