

Spokesperson:

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D-Link Reports 2Q10 Consolidated Financials

- Second quarter 2010 net revenue was NT\$8.217bln, up 3.9% QoQ.
- Second quarter 2010 gross margin exclusive of inventory related gain was 32.2%, compared to 34.7% in 1Q10.
- Second quarter 2010 gross margin inclusive of inventory related gain was 30.8%, compared to 33.9% in 1Q10.
- Second quarter 2010 operating margin was 1.7%, compared to 3.7% in 1Q10.
- Second quarter 2010 tax expense was NT\$74mln, compared to tax expense of NT\$80mln in 1Q10.
- Second quarter 2010 net income was NT\$245mln, compared to net income of NT\$255mln in 1Q10.
- Second quarter 2010 EPS, per weighted-average capital of NT\$6.476bln, was NT\$0.38, compared to NT\$0.39 per share in 1Q10.
- All of the above figures are consolidated and 2Q10's net income is audited/reviewed.

Taipei, Taiwan, August 19, 2010 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announced its global unaudited consolidated financial results for the first half and second quarter of 2010.

For the first half of 2010, D-Link posted a net revenue of NT\$16.125bln, up by 16.6% compared to NT\$13.83bln for 1H09, mainly benefited from economic recovery in emerging markets. The gross margin excluding inventory related gain/loss increased to 33.4 %, up by 5.1% from 28.3% of 1H09, because of stabilized end demand after the global economic turmoil. Gross margin including inventory provisional gain/loss was 32.3% similar to pre-financial crisis level, up by 3.2% from 29.1% in 1H09. Operating expenses of 29.6% of net revenue were down from 31.3% of the first half of 2009. The operating profit margin was 2.7%, a significant improvement, compared to -2.2% in 1H09. Net margin was 3.1%, a dramatic turnaround, compared to -0.8% in 1H09.

For the second quarter of 2010, D-Link posted a net revenue of NT\$8.217bln, up 3.9% over 1Q10, or up 17.0% compared to the year-ago figure. Due to surprisingly huge depreciation

in Euro currency, freight cost increase, and product mix shifting towards more commodity switches and broadband products, gross margin excluding inventory related gain/loss dropped to 32.2% in 2Q10 from 34.7% in 1Q10, but up by 3.3% compared to 28.9% of the year-ago quarter. By applying Article number 10 of Taiwan's GAAP, gross margin including inventory provisional gain/loss was 30.8% in 2Q10, down by 3.0% from 33.8% in 1Q10, or compared to 33.6% of the comparable 2009 quarter due to a substantial reversal of inventory provision of NT\$325mln in 2Q09. Operating expenses of 29.1% of net revenue was down from 30.1% in the previous quarter, or compared to 31.6% in 2Q09. Operating profit margin was 1.7%, down by 2.0% from 3.7% in 1Q10, or compared to 2.0% in 2Q09.

On the non-operating side, the income which consisted of NT\$76mln from long-term investment profit under equity method, NT\$76mln from the disposal of non-core holding's shares, and NT\$27mln by way of financial/other incomes, and knocked out by NT\$5mln from FX loss, was totaling NT\$174mln in 2Q10. Regarding the bottom line, the income before tax was NT\$311mln, which was offset by the tax expense of NT\$74mln and enhanced by the minority interest of NT\$8mln, resulting in the consolidated net income of NT\$245mln of the second quarter of 2010, or an EPS of NT\$0.38 based on the weighted average capital of NT\$6.476bln.

All financial metrics of D-Link's balance sheet of the June quarter remained healthy and faced further strengthening. D-Link held NT\$6.331bln in cash and NT\$1.484bln in money market funds, totaling NT\$7.815bln at the end of the June quarter. Cash position increased by NT\$592mln compared to NT\$7.223bln as of the end of March's quarter, mainly due to cash inflow from operating activities and disposal of non-core holding's shares. Account Receivables slightly increased by 4.4% to NT\$5.965bln from NT\$5.715bln of March's quarter end. The June quarter inventory level went up to the normal level of NT\$5.923bln from NT\$4.55bln of the end of the March quarter as material shortage had tailed off. Account Payables rose to NT\$7.543bln from NT\$5.573bln of March's quarter end primarily due to new product pull-in. Regarding financial ratios of 2Q operation, Days A/R was 69 days at par with the figure of the March quarter end. On a QoQ basis, Days Inventory lengthened to 89 days from 81 days of the end of March quarter, due to relatively more product pull-in in 2Q10. Cash cycle was further improved to 46 days, compared to its previous quarter's figure of 50 days. The current ratio and debt/equity ratios remained sound, reflecting financial strength and stability of the Company. Annualized ROE for the second quarter end of 2010 stayed at 7%. Overall, D-Link financial standings kept a stable position with sound liquidity.

NT\$M	2Q10		1Q10		2Q09		QoQ	YoY
NA	1,410	17.2%	1,484	18.8%	1,386	19.7%	-5.0%	1.7%
EU	1,791	21.8%	2,136	27.0%	2,046	29.1%	-16.2%	-12.5%
Emg. & APac	5,016	61.0%	4,288	54.2%	3,593	51.1%	17.0%	39.6%
Total	8,217	100.0%	7,908	100.0%	7,025	100.0%	3.9%	17.0%

To break down 2Q10's revenue by region, D-Link's global operation cast 17.2% in North America, 21.8% in Europe, and 61.0% from Emerging and Asia Pacific markets of consolidated sales. Among the regions, North America's sales were down 5.0% QoQ, but up 1.7% compared to the figure in the year-ago comparable quarter, Europe's dropped by 16.2% QoQ, or down 12.5% YoY due mainly to further economic slowdown triggered by its regional debt crisis, and Emerging and Asia Pacific markets continuously ascended by 17.0% QoQ owing to strong growth in Russia, China, and Latin America or significantly up 39.6% YoY. In the second quarter of 2010, D-Link's geographic revenue continued to be dominant by lucrative emerging markets.

Regarding 2Q10's revenue by product categories, WLAN products remained the most popular item, accounting for 37.9% of 2Q10 consolidated revenue, followed by Switch products at 33.1%, Broadband at 18.9%, Digital Home at 6.3%, Adaptors and Others at 3.8%. Switch increased 14.5% QoQ or dramatically up by 38.3% YoY, WLAN descended 2.6% QoQ but up by 8.3% YoY, Broadband slightly dropped 0.8% QoQ but up by 0.6% YoY, and Digital Home declined by 7.5% QoQ or down by 4.8% YoY.

For 3Q10 outlooks, D-Link anticipates that the quarterly revenue will deliver sequential growth. As for the operating margin, the Company projects to gradually improve to the normal level. Regarding the growth thrusts for 3Q10, SMB/SME/Telco projects will drive the revenue to grow by product take-on over the combination of various package solutions i.e. switch, security, storage, surveillance and service. In consumer sector, home entertaining products such as IP media adaptors will start drawing consumer attention and to lead the revenue to grow. In closing, D-Link operation was nearing bottom in 2Q10. Although still remaining cautious, the Company projects 2H10's performance to surpass 1H10's.

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)

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