

Spokesperson:

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Chief Financial Officer

## D-Link Reports 2Q11 Consolidated Financials

- Second quarter 2011 net revenue was NT\$8.021bln, up 2.8% QoQ.
- Second quarter 2011 gross margin exclusive of inventory related gain was 33.4%, compared to 33.0% in 1Q11.
- Second quarter 2011 gross margin inclusive of inventory related gain was 33.1%, compared to 32.7% in 1Q11.
- Second quarter 2011 operating margin was 4.1%, compared to 2.2% in 1Q11.
- Second quarter 2011 tax expense was NT\$70mln, compared to that of NT\$72mln in 1Q11.
- Second quarter 2011 net income was NT\$277mln, compared to that of NT\$248mln in 1Q11.
- Second quarter 2011 EPS, per weighted-average capital of NT\$6.429bln, was NT\$0.43, compared to NT\$0.39 per share in 1Q11.
- All of the above figures are consolidated and 2Q11's net income is audited/reviewed.

Taipei, Taiwan, August 26, 2011 - 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 2011.

For the first half of 2011, D-Link posted a net revenue of NT\$15.823bln, down by 1.9% compared to NT\$16.125bln for 1H10, mainly owing to Taiwan Dollar revaluation. In US\$ terms, the revenue was up by 7.2% YoY. The gross margin excluding inventory related gain/loss was 33.2 %, down by 0.2% from 33.4% of 1H10. Gross margin including inventory provisional gain/loss was 32.9%, up by 0.6% from 32.3% in 1H10. Operating expenses of 29.7% of net revenue were slightly up by 0.1% from 29.6% of the first half of 2010. The operating profit margin went up to 3.2% compared to 2.7% in 1H10. Net margin was 3.3%, compared to 3.1% in 1H10.

For the second quarter of 2011, D-Link posted a net revenue of NT\$8.021bln, up 2.8% over 1Q10, but down by 2.4% compared to the year-ago figure primarily due to currency fluctuation. If looking at US\$ book, 2Q11's sales remained up by 7.6% YoY. Due to better

product mix shifting towards more upscale switches and business class wireless products, gross margin excluding inventory related gain/loss expanded to 33.4% in 2Q11 from 33.0% in 1Q11, and up by 1.2% compared to 32.2% of the year-ago quarter. By applying Article number 10 of Taiwan's GAAP, gross margin including inventory provisional gain/loss was 33.1% in 2Q11, up by 0.5% from 32.7% in 1Q11, or a substantial improvement of 2.3% compared to 30.8% of the comparable 2010 quarter, benefited from strong execution in inventory management. Operating expenses of 29.0% of net revenue was down from 30.5% in the previous quarter, or compared to 29.1% in 2Q10. Operating profit margin was 4.1%, up by 1.9% from 2.2% in 1Q11, or up by 2.4% compared to 1.7% in 2Q10.

On the non-operating side, the income which consisted of NT\$21mln from FX gain and NT\$27mln by way of financial/other incomes, then knocked out by NT\$19mln from long term investment loss recognition, was totaling NT\$14mln in 2Q11. The long term investment loss primarily resulted from one time write-down of our interest in a venture capital fund and one affiliate company which were recorded per cost method. Regarding the bottom line, the income before tax was NT\$343mln, which was offset by the tax expense of NT\$70mln and enhanced by the minority interest of NT\$4mln, resulting in the consolidated net income of NT\$277mln of the second quarter of 2011, or an EPS of NT\$0.43 based on the weighted average capital of NT\$6.429bln.

All financial metrics of D-Link's balance sheet of the June quarter indicated continued healthy condition with sound liquidity. D-Link held NT\$6.232bln in cash and NT\$549mln in money market funds, totaling NT\$6.781bln at the end of the June quarter. Cash position increased by NT\$400mln compared to NT\$6.381bln as of the end of March's quarter, mainly due to operational cash inflow. Account Receivables slightly increased by 2.1% to NT\$5.914bln from NT\$5.795bln of March's quarter end. The June quarter inventory level went up to the normal level of NT\$6.214bln from NT\$5.308bln of the end of the March quarter due to stock-up for relatively strong season. Account Payables rose to NT\$6.813bln from NT\$5.232bln of March's quarter end primarily due to seasonable stocks pull-in. Regarding financial ratios of 2Q operation, Days A/R was 66 days virtually at par with 67 days of the March quarter end. On a QoQ basis, Days Inventory lengthened to 101 days from 95 days of the end of March quarter, due to relatively more product pull-in in 2Q11. Cash cycle was improved to 62 days, compared to its previous quarter's figure of 68 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 2011 was improved to 8% from 7% in 1Q11. Overall, D-Link financial standings kept a stable position with sound liquidity.

NT\$M	2Q11		1Q11		2Q10		QoQ	YoY
NA	1,289	16.1%	1,395	17.9%	1,410	17.2%	-7.6%	-8.6%
EU	1,656	20.6%	1,805	23.1%	1,791	21.8%	-8.3%	-7.5%
Emg. & APac	5,076	63.3%	4,602	59.0%	5,016	61.0%	10.3%	1.2%
<b>Total</b>	<b>8,021</b>	<b>100.0%</b>	<b>7,802</b>	<b>100.0%</b>	<b>8,217</b>	<b>100.0%</b>	<b>2.8%</b>	<b>-2.4%</b>

US\$mIn	2Q11		1Q11		2Q10		QoQ	YoY
NA	44.6	16.1%	47.3	17.9%	44.2	17.2%	-5.7%	0.9%
EU	57.3	20.6%	60.7	23.0%	56.1	21.8%	-5.6%	2.1%
Emg. & APac	175.4	63.3%	156.3	59.1%	157.3	61.0%	12.2%	11.5%
<b>Total</b>	<b>277.3</b>	<b>100.0%</b>	<b>264.3</b>	<b>100.0%</b>	<b>257.6</b>	<b>100.0%</b>	<b>4.9%</b>	<b>7.6%</b>

To break down 2Q11's revenue by region, D-Link's global operation cast 16.1% in North America, 20.6% in Europe, and 63.3% from Emerging and Asia Pacific markets of consolidated sales. Among the regions, North America's sales were down 7.6% QoQ, or down by 8.6% compared to the figure in the year-ago comparable quarter, Europe's dropped by 8.3% QoQ, or down 7.5% YoY, and Emerging and Asia Pacific markets continuously ascended by 10.3% QoQ because of strong growth across all of the emerging countries, in which the revenue went up by 1.2% YoY. In the second quarter of 2011, D-Link's geographic revenue continued to be dominant by lucrative emerging markets.

Regarding 2Q11's revenue by product categories, WLAN products remained the most popular item, accounting for 40.0% of 2Q11 consolidated revenue, followed by Switch products at 29.9%, Broadband at 17.7%, Digital Home at 9.3%, Adaptors and Others at 3.1%. Switch increased 0.8% QoQ, but down by 11.6% YoY, WLAN ascended 4.2% QoQ or up by 2.9% YoY, Broadband went up 6.8% QoQ, but down by 8.4% YoY, and Digital Home slightly declined by 0.4% QoQ, but significantly up by 43.5% YoY.

For 3Q11 outlooks, D-Link anticipates that the quarterly revenue will deliver sequential mild growth. As for the operating margin, the Company projects to maintain in the normal level. Regarding the growth thrusts for 3Q11, SMB/SME/Telco projects will take a lead to drive revenue to grow by increasing turnkey solutions and the mydlink service enabling products. In consumer sector, although the end demand remains vague in the West, we are cautiously optimistic to see a better performance by enhanced channel engagement and roll-out of smart digital home products. In closing, although still remaining cautious, the Company projects 2H11's performance to surpass 1H11'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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